

**Deloitte.**  
**德勤**

德勤•關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

**Deloitte Touche Tohmatsu**  
35/F One Pacific Place  
88 Queensway  
Hong Kong

30 January 2008

The Directors  
CASH Financial Services Group Limited  
Access Capital Limited  
Celestial Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to CASH Financial Services Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2004, 2005, 2006 and the seven months ended 31 July 2007 (the “Relevant Periods”) for inclusion in the listing document of the Company dated 30 January 2008 (the “Listing Document”).

The Company was incorporated as an exempted company with limited liability in Bermuda on 9 August 2000 under the Companies Act 1981 of Bermuda (as amended). The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has proposed to withdraw its listing on the GEM of the Stock Exchange so as to arrange its shares to be listed on the Main Board of the Stock Exchange.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries, which are all private companies with limited liability:

Name	Place and date of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Agostini Limited ( <i>note a</i> )	Hong Kong 13 February 2006	Ordinary HK\$1	100	–	Investment holding
All Success Limited ( <i>note a</i> )	Hong Kong 5 September 1991	Ordinary HK\$10 Non-voting deferred HK\$2	–	100	Provision of treasury functions for group companies and money lending
CASH Asset Management Limited ( <i>note a</i> )	Hong Kong 12 May 2004	Ordinary HK\$200,000	–	100	Provision of asset management services
CASH E-Surance Limited ( <i>note a</i> )	Hong Kong 15 September 2000	Ordinary HK\$2	100	–	Provision of online insurance services
CASH E-Trade Limited ( <i>note a</i> )	Hong Kong 21 July 1999	Ordinary HK\$4,000,000	100	–	Provision of management services for group companies
CASH Frederick Taylor Limited (“CASH Frederick Taylor”) ( <i>note a</i> )	Hong Kong 11 April 2001	Ordinary HK\$1,000,000	–	70	Financial advisory consultancy
CASH on-line Limited ( <i>note b</i> )	British Virgin Islands (“BVI”) 11 November 1998	Ordinary US\$50,000	100	–	Inactive
CASH Payment Services Limited ( <i>note a</i> )	Hong Kong 23 August 2000	Ordinary HK\$2	–	100	Provision of payment gateway services
Celestial (China) Asset Management Limited ( <i>note b</i> )	BVI 13 February 2007	Ordinary US\$1	100	–	Investment holding
Celestial (International) Securities & Investment Limited ( <i>note a</i> )	Hong Kong 6 February 1979	Ordinary HK\$10,000,002	–	100	Inactive
Celestial (Nominees) Limited ( <i>note a</i> )	Hong Kong 16 December 1975	Ordinary HK\$2	–	100	Provision of nominees services
Celestial Asia Investment Limited ( <i>note a</i> )	Hong Kong 21 September 1993	Ordinary HK\$2	–	100	Inactive
Celestial Asset Management Limited ( <i>note a</i> )	Hong Kong 18 January 1994	Ordinary HK\$4,000,100	–	100	Provision of treasury and loan arrangement functions for group companies

Name	Place and date of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Celestial Capital Limited <i>(note a)</i>	Hong Kong 23 July 1996	Ordinary HK\$27,000,000	–	100	Provision of corporate finance, and investment and financial advisory services
Celestial Commodities Limited <i>(note a)</i>	Hong Kong 12 December 1980	Ordinary HK\$10,000,000	–	100	Futures and options broking and trading
Celestial Finance Limited <i>(note a)</i>	Hong Kong 7 November 1978	Ordinary HK\$40,000,002	–	100	Provision of treasury functions for group companies and holding of club membership
Celestial Financial Services Limited <i>(note b)</i>	BVI 27 May 1993	Ordinary US\$10,000	100	–	Investment holding
Celestial Investments (HK) Limited <i>(note a)</i>	Hong Kong 21 September 1993	Ordinary HK\$10,000,000	–	100	Money lending
Celestial Securities Limited <i>(note a)</i>	Hong Kong 6 January 1982	Ordinary HK\$140,000,000	–	100	Brokerage of securities, equity options and leveraged foreign exchange contracts
CFT Nominees Limited <i>(note b)</i>	BVI 6 October 2004	Ordinary US\$1	–	100	Inactive
CFSG (China) Limited <i>(note b)</i>	BVI 10 July 2006	Ordinary US\$1	100	–	Investment holding
Chateron Corporate Finance Limited <i>(note a)</i>	Hong Kong 3 March 1994	Ordinary HK\$10,000,000	–	100	Provision of investment consultancy services
Confident Profits Limited <i>(note b)</i>	BVI 1 July 2003	Ordinary US\$2	100	–	Inactive
Golden Riverside Industrial Limited <i>(note a)</i>	Hong Kong 30 June 1989	Ordinary HK\$102	100	–	Holding of club membership and investment property
icoupon Limited <i>(note b)</i>	BVI 8 January 1999	Ordinary US\$1	100	–	Investment holding
Linkup Assets Management Limited <i>(note b)</i>	BVI 7 January 2005	Ordinary US\$1	100	–	Investment holding
Marvel Champ Investments Limited <i>(note b)</i>	BVI 18 May 2007	Ordinary US\$100	–	65	Investment holding

Name	Place and date of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly %	Indirectly %	
Max Luck Associates Limited <i>(note b)</i>	BVI 31 October 1995	Ordinary US\$1	100	–	Investment holding
Vantage Giant Limited <i>(note b)</i>	BVI 5 July 2005	Ordinary US\$1	100	–	Investment holding
Worldwide Luck Limited <i>(note a)</i>	Hong Kong 4 January 1996	Ordinary HK\$2	100	–	Holding of club membership

*Notes:*

- (a) We have acted as auditors of these companies for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007 or since their respective date of incorporation or acquisition, where this is a shorter period. Audited financial statements for these companies have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) for each of the three years ended 31 December 2006, or from their respective date of incorporation, where this is a shorter period. For the purpose of this report, audited consolidated financial statements of the Company have been prepared in accordance with HKFRSs for the seven months ended 31 July 2007.
- (b) No audited financial statements have been prepared for these companies incorporated in the BVI since their respective dates of incorporation or acquisition, where this is a shorter period as there are no statutory audit requirements.
- (c) All the subsidiaries comprising the Group have adopted 31 December as their financial year end date.

We have acted as auditors of the Company for the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with HKFRSs for each of the three years ended 31 December 2006 and the seven months ended 31 July 2007. (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods as set out in this report has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Listing Document.

The directors of the Company are responsible for the Underlying Financial Statements and the contents of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out on this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004, 2005, 2006 and 31 July 2007 and of the consolidated results and cash flows of the Group for the Relevant Periods.

The comparative consolidated income statement, statement of changes in equity and cash flow statement of the Group for the seven months ended 31 July 2006 together with the notes thereon (the “31 July 2006 Financial Information”) have been extracted from the Group’s consolidated financial information for the same period which was prepared by the directors of the Company solely for the purpose of this Listing Document. We have reviewed the 31 July 2006 Financial Information for the seven months ended 31 July 2006 in accordance with the Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of the management and applying analytical procedures to the 31 July 2006 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31 July 2006 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 31 July 2006 Financial Information.

## A. FINANCIAL INFORMATION OF THE GROUP

## Consolidated Income Statements

	Notes	Year ended 31 December			Seven months ended 31 July	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
<b>Continuing operations</b>						
Revenue	7	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	9	(119,778)	(108,303)	(151,449)	(88,517)	(123,873)
Depreciation		(15,906)	(10,606)	(7,056)	(3,808)	(4,548)
Finance costs	10	(8,748)	(14,568)	(49,024)	(24,172)	(45,827)
Other operating and administrative expenses		(58,570)	(56,316)	(77,477)	(41,571)	(52,977)
Reversal of allowance for (allowance for) bad and doubtful debts		1,139	702	(180)	(53)	79
Net (decrease) increase in fair value of 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 (expense) income		(310)	(85)	291	291	–
Profit before taxation		25,362	23,847	73,521	43,857	110,661
Taxation (charge) credit	13	(350)	3,440	(5,796)	(3,258)	(15,037)
Profit for the year/period from continuing operations		25,012	27,287	67,725	40,599	95,624
<b>Discontinued operations</b>						
(Loss) profit for the year/period from discontinued operations	14	–	–	(27,527)	(13,990)	30,904
Profit for the year/period	15	<u>25,012</u>	<u>27,287</u>	<u>40,198</u>	<u>26,609</u>	<u>126,528</u>
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)
		<u>25,012</u>	<u>27,287</u>	<u>40,198</u>	<u>26,609</u>	<u>126,528</u>

	Notes	Year ended 31 December			Seven months ended 31 July	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
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
Dividends recognised as distribution during the year/ period (2004: nil, 2005: payment of 2004 final dividend of HK\$0.01 per ordinary share; 2006: payment of 2006 interim dividend of HK\$0.03 per ordinary share; 31 July 2006: nil; 31 July 2007: payment of 2006 final dividend of HK\$0.02 per ordinary share)		–	7,546	41,462	–	27,660
Earnings (loss) per share	16					
From continuing and discontinued operations:						
– Basic		3.3 HK cents	2.8 HK cents	2.5 HK cents	1.7 HK cents	7.9 HK cents
– Diluted		N/A	2.6 HK cents	2.5 HK cents	1.6 HK cents	7.7 HK cents
From continuing operations:						
– Basic		3.3 HK cents	2.8 HK cents	4.3 HK cents	2.5 HK cents	5.9 HK cents
– Diluted		N/A	2.6 HK cents	4.2 HK cents	2.5 HK cents	5.8 HK cents
From discontinued operations:						
– Basic		N/A	N/A	(1.7) HK cents	(0.9) HK cents	1.9 HK cents
– Diluted		N/A	N/A	(1.7) HK cents	(0.9) HK cents	1.9 HK cents

## Consolidated Balance Sheets

	Notes	At 31 December			At
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	31 July 2007 HK\$'000
<b>Non-current assets</b>					
Property and equipment	17	20,725	12,218	45,720	23,745
Investment property	18	–	–	5,000	5,000
Goodwill	19	7,303	7,303	117,248	7,303
Intangible assets	20	10,922	12,892	33,872	14,222
Other assets	22	11,387	7,564	16,241	9,866
Loan receivables	23	18,700	122	103	89
Deposits for acquisition of subsidiaries	25	–	56,095	–	–
Interests in associates	26	–	–	–	28,860
Loan to an associate	26	–	–	–	10,296
Amounts receivable on disposal of subsidiaries	28	–	–	–	174,718
Deferred tax assets	13	–	3,940	2,346	2,339
		<u>69,037</u>	<u>100,134</u>	<u>220,530</u>	<u>276,438</u>
<b>Current assets</b>					
Inventories	27	–	–	674	–
Account receivables	29	363,191	469,528	781,721	1,038,517
Loan receivables	23	19,651	38,426	19,227	23,568
Prepayments, deposits and other receivables		9,978	16,074	23,764	21,691
Amount due from ultimate holding company	28	–	–	–	6,517
Amounts due from associates	28	–	–	373	1,116
Amounts due from fellow subsidiaries	28	2,048	972	3,463	1,994
Investments held for trading	30	47,032	42,472	54,317	24,133
Derivative financial instrument	31	–	16	–	–
Bank deposits under conditions	32	16,782	17,125	27,813	28,282
Bank balances – trust and segregated accounts	28	433,156	352,902	574,577	879,802
Bank balances (general accounts) and cash	28	71,500	117,516	73,226	157,149
		<u>963,338</u>	<u>1,055,031</u>	<u>1,559,155</u>	<u>2,182,769</u>
<b>Current liabilities</b>					
Account payables	33	616,906	555,565	931,865	1,362,361
Accrued liabilities and other payables		34,319	33,939	64,860	50,321
Deferred revenue		–	–	8,027	–
Taxation payable		584	1,084	4,428	18,732
Obligations under finance leases					
– amount due within one year	34	63	150	215	67
Bank borrowings					
– amount due within one year	35	96,155	171,737	278,521	409,586
Convertible loan note					
– amount due within one year	38	–	30,242	–	–
Loan from minority shareholder	28	–	–	–	13,704
		<u>748,027</u>	<u>792,717</u>	<u>1,287,916</u>	<u>1,854,771</u>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	<i>Notes</i>	<b>At 31 December</b>			<b>At</b>
		<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets		215,311	262,314	271,239	327,998
		<u>284,348</u>	<u>362,448</u>	<u>491,769</u>	<u>604,436</u>
Capital and reserves					
Share capital	36	75,456	104,488	138,205	144,575
Reserves		<u>168,248</u>	<u>256,330</u>	<u>345,826</u>	<u>457,479</u>
Equity attributable to equity holders of the Company		243,704	360,818	484,031	602,054
Minority interests		<u>810</u>	<u>1,471</u>	<u>3,761</u>	<u>1,618</u>
Total equity		<u>244,514</u>	<u>362,289</u>	<u>487,792</u>	<u>603,672</u>
Non-current liabilities					
Deferred tax liabilities	13	–	–	2,615	764
Obligations under finance leases					
– amount due after one year	34	–	159	115	–
Bank borrowings					
– amount due after one year	35	–	–	1,247	–
Convertible loan note					
– amount due after one year	38	<u>39,834</u>	–	–	–
		<u>39,834</u>	<u>159</u>	<u>3,977</u>	<u>764</u>
		<u>284,348</u>	<u>362,448</u>	<u>491,769</u>	<u>604,436</u>

## Balance Sheets of the Company

	Notes	At 31 December			At
		2004	2005	2006	31 July
		HK\$'000	HK\$'000	HK\$'000	2007
					HK\$'000
Non-current assets					
Property and equipment	17	34	–	–	–
Investments in subsidiaries	24	461,324	466,279	470,800	479,671
Deposits for acquisition of subsidiaries	25	–	56,095	–	–
Amounts receivable on disposal of subsidiaries	28	–	–	–	174,718
		<u>461,358</u>	<u>522,374</u>	<u>470,800</u>	<u>654,389</u>
Current assets					
Amounts due from subsidiaries	28	102,620	127,772	235,861	154,086
Bank balances (general accounts)	28	894	691	72	2,725
		<u>103,514</u>	<u>128,463</u>	<u>235,933</u>	<u>156,811</u>
Current liabilities					
Accrued liabilities and other payables		300	1,499	1,920	8,924
Amounts due to subsidiaries	28	323,273	323,273	323,273	428,311
Convertible loan note – amount due within one year	38	–	30,242	–	–
		<u>323,573</u>	<u>355,014</u>	<u>325,193</u>	<u>437,235</u>
Net current liabilities		<u>(220,059)</u>	<u>(226,551)</u>	<u>(89,260)</u>	<u>(280,424)</u>
		<u>241,299</u>	<u>295,823</u>	<u>381,540</u>	<u>373,965</u>
Capital and reserves					
Share capital	36	75,456	104,488	138,205	144,575
Reserves	37	126,009	191,335	243,335	229,390
		<u>201,465</u>	<u>295,823</u>	<u>381,540</u>	<u>373,965</u>
Non-current liability					
Convertible loan note – amount due after one year	38	39,834	–	–	–
		<u>241,299</u>	<u>295,823</u>	<u>381,540</u>	<u>373,965</u>

## Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Convertible loan note equity reserve	Share-based payment reserve	Translation reserve	(Accumulated loss) retained earnings	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note g)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	37,728	-	186,377	1,764	461	-	(107,419)	118,911	386	119,297
Profit for the year, representing total recognised income for the year	-	-	-	-	-	-	24,588	24,588	424	25,012
Recognition of employee share option benefits	-	-	-	-	219	-	-	219	-	219
Recognition of equity component of convertible loan note	-	-	-	771	-	-	-	771	-	771
Arising from partial repayment of convertible loan note (Note a(i))	-	-	-	(1,764)	-	-	1,295	(469)	-	(469)
Issue of rights shares (Note b)	37,728	64,137	-	-	-	-	-	101,865	-	101,865
Transaction costs attributable to issue of rights shares (Note b)	-	(2,181)	-	-	-	-	-	(2,181)	-	(2,181)
At 31 December 2004 and 1 January 2005	75,456	61,956	186,377	771	680	-	(81,536)	243,704	810	244,514
Profit for the year, representing total recognised income for the year	-	-	-	-	-	-	26,626	26,626	661	27,287
Recognition of employee share option benefits	-	-	-	-	203	-	-	203	-	203
Arising from partial repayment of convertible loan note (Note a(ii))	-	-	-	(190)	-	-	151	(39)	-	(39)
2004 final dividend paid	-	-	-	-	-	-	(7,546)	(7,546)	-	(7,546)
Issue of new shares (Note c)	29,032	69,138	-	-	-	-	-	98,170	-	98,170
Transaction costs attributable to issue of new shares	-	(300)	-	-	-	-	-	(300)	-	(300)
Amount transferred to set off accumulated losses (Note d(i))	-	-	(12,827)	-	-	-	12,827	-	-	-
At 31 December 2005 and 1 January 2006	104,488	130,794	173,550	581	883	-	(49,478)	360,818	1,471	362,289
Exchange difference arising from translation of foreign operations representing net expense recognised directly in equity	-	-	-	-	-	(288)	-	(288)	-	(288)
Profit for the year	-	-	-	-	-	-	39,944	39,944	254	40,198
Total recognised income and expense for the year	-	-	-	-	-	(288)	39,944	39,656	254	39,910
Recognition of employee share option benefits	-	-	-	-	1,613	-	-	1,613	-	1,613
Arising from conversion of convertible loan note (Note e(ii))	6,000	10,200	-	(308)	-	-	173	16,065	-	16,065
Arising from early repayment of convertible loan note (Note a(iii))	-	-	-	(273)	-	-	(79)	(352)	-	(352)
Issue of new shares (Note e(i), (iii) and (iv))	27,717	82,976	-	-	-	-	-	110,693	-	110,693
2006 interim dividend paid	-	-	-	-	-	-	(41,462)	(41,462)	-	(41,462)
Transaction costs attributable to issue of new shares	-	(3,000)	-	-	-	-	-	(3,000)	-	(3,000)
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	2,389	2,389
Dividend paid to minority interests	-	-	-	-	-	-	-	-	(353)	(353)
Amount transferred to set off accumulated losses (Note d(ii))	-	-	(45,000)	-	-	-	45,000	-	-	-

	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note g)	Convertible loan note equity reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	(Accumulated loss) retained earnings HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31 December 2006 and 1 January 2007	138,205	220,970	128,550	-	2,496	(288)	(5,902)	484,031	3,761	487,792
Profit for the period, representing total recognised income for the period	-	-	-	-	-	-	126,540	126,540	(12)	126,528
Issue of new shares (Note f)	6,370	12,485	-	-	-	-	-	18,855	-	18,855
Arising from disposal of subsidiaries	-	-	-	-	-	288	-	288	(2,131)	(1,843)
2006 final dividend paid-	-	-	-	-	-	-	(27,660)	(27,660)	-	(27,660)
Amount transferred from share premium to contributed surplus	-	(100,000)	100,000	-	-	-	-	-	-	-
Amount transferred to set off accumulated losses (Note d(iii))	-	-	(28,000)	-	-	-	28,000	-	-	-
At 31 July 2007	<u>144,575</u>	<u>133,455</u>	<u>200,550</u>	<u>-</u>	<u>2,496</u>	<u>-</u>	<u>120,978</u>	<u>602,054</u>	<u>1,618</u>	<u>603,672</u>
<u>Unaudited</u>										
At 1 January 2006	104,488	130,794	173,550	581	883	-	(49,478)	360,818	1,471	362,289
Exchange difference arising from translation of foreign operations representing net expense recognised directly in equity	-	-	-	-	-	(288)	-	(288)	-	(288)
Profit for the period	-	-	-	-	-	-	26,320	26,320	289	26,609
Total recognised income and expense for the period	-	-	-	-	-	(288)	26,320	26,032	289	26,321
Recognition of employee share option benefits	-	-	-	-	1,613	-	-	1,613	-	1,613
Arising from conversion of convertible loan note (Note e(ii))	6,000	10,200	-	(308)	-	-	173	16,065	-	16,065
Arising from early repayment of convertible loan note (Note a(iii))	-	-	-	(273)	-	-	(79)	(352)	-	(352)
Issue of new shares (Note e(i) and (iii))	27,617	82,780	-	-	-	-	-	110,397	-	110,397
Transaction costs attributable to issue of new shares	-	(3,000)	-	-	-	-	-	(3,000)	-	(3,000)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	(353)	(353)
At 31 July 2006	<u>138,105</u>	<u>220,774</u>	<u>173,550</u>	<u>-</u>	<u>2,496</u>	<u>(288)</u>	<u>(23,064)</u>	<u>511,573</u>	<u>1,407</u>	<u>512,980</u>

**Notes:**

- (a) (i) During the year ended 31 December 2004, the Group made full repayment of the outstanding convertible loan note issued on 28 September 2001 amounting to HK\$125,100,000. The consideration of HK\$125,100,000 was allocated into liability component and equity component. An equity component of approximately HK\$1,764,000 was released from the convertible loan note equity reserve.
- (ii) During the year ended 31 December 2005, the Group made partial repayment of the convertible loan note issued on 1 September 2004 amounting to HK\$10,000,000. The consideration of HK\$10,000,000 was allocated into liability component and equity component. An equity component of approximately HK\$190,000 was released from the convertible loan note equity reserve.

- (iii) During the year ended 31 December 2006, the Group made full repayment of the convertible loan note issued on 1 September 2004 that remained outstanding in June 2006 amounting to HK\$8,000,000 and HK\$6,300,000 on 1 June 2006 and 28 June 2006 respectively. The consideration of HK\$14,300,000 was allocated into liability component and equity component. An equity component of approximately HK\$273,000 was released from the convertible loan note equity reserve.
- (b) On 17 May 2004, 377,278,224 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.27 per share. The proceeds before expenses were approximately HK\$101,865,000.
- (c) (i) On 15 September 2005, 132,000,000 shares of HK\$0.10 each were issued by way of subscription at a subscription price of HK\$0.27 each pursuant to a subscription agreement dated 16 August 2004. The gross proceeds of HK\$35,640,000 were raised for strengthening the funding support and capital base of the Company.
- (ii) In September 2005, 650,000 share options and 12,675,000 share options were exercised at an exercise price of HK\$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK\$0.10 each on 16 September 2005 and 26 September 2005 respectively. The proceeds before expenses were approximately HK\$4,531,000.
- (iii) On 5 October 2005, 145,000,000 top up shares of HK\$0.10 each were issued to Celestial Investment Group Limited (“CIGL”), the controlling shareholder, at the price of HK\$0.40 each pursuant to the top up agreement dated 22 September 2005. The gross proceeds of HK\$58,000,000 were raised for settlement of part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006.
- (d) (i) Pursuant to a minutes of a board of directors’ meeting held on 30 May 2005, an amount of HK\$12,827,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004 of HK\$5,282,000 and the payment for final dividend of 2004 of HK\$7,546,000.
- (ii) Pursuant to a minutes of a board of directors’ meeting held on 6 November 2006, an amount of HK\$45,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company for payment of 2006 interim dividend of HK\$41,462,000.
- (iii) Pursuant to a minutes of a board of directors’ meeting held on 8 June 2007, an amount of HK\$28,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company for the payment of 2006 final dividend of HK\$27,660,000.

- (e) (i) On 10 January 2006, 155,000,000 placing shares of HK\$0.10 each were issued at a placing price of HK\$0.40 each to independent third parties. On the same date, 120,000,000 subscription shares of HK\$0.10 each were issued to CIGL at a price of HK\$0.40 each. The gross proceeds of the two transactions of HK\$62,000,000 and HK\$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 40(a)(i). These shares rank pari passu in all respects with other shares in issue.
- (ii) On 18 January 2006, convertible loan note amounting to HK\$16,200,000 was converted into 60,000,000 ordinary shares of the Company at a conversion price of HK\$0.27 each.
- (iii) In January 2006, 520,000 share options and 650,000 share options respectively were exercised at an exercise price of HK\$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK\$0.10 each on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK\$400,000. These shares rank pari passu in all respects with other shares in issue.
- (iv) In November 2006, 1,000,000 share options were exercised at an exercise price of HK\$0.296 each, resulting in the issue of 1,000,000 shares of HK\$0.10 each on 14 November 2006 for a total consideration (before expenses) of HK\$296,000.
- (f) (i) In April 2007, 1,000,000 share options were exercised at an exercise price of HK\$0.296 per share, resulting in the issue of 1,000,000 shares of HK\$0.10 each on 23 April 2007 for a total consideration (before expenses) HK\$296,000. These shares rank pari passu in all respect with other shares in issue.
- (ii) In July 2007, 8,600,000 share options, 40,100,000 share options, 5,000,000 share options and 9,000,000 share options respectively were exercised at an exercise price of HK\$0.296 per share, resulting in the issue of 8,600,000 shares, 40,100,000 shares, 5,000,000 shares and 9,000,000 shares of HK\$0.10 each on 3 July 2007, 4 July 2007, 9 July 2007 and 27 July 2007 respectively for a total consideration (before expenses) of HK\$18,559,000. These shares rank pari passu in all respects with other shares in issue.
- (g) The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

## Consolidated Cash Flow Statements

	Notes	Year ended 31 December			Seven months ended 31 July	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
Operating activities						
Profit before taxation		25,362	23,847	46,137	29,877	141,565
Adjustments for:						
Convertible loan note settlement expense (income)		310	85	(291)	(291)	–
Advertising and telecommunication services expenses	39(a)	1,786	–	4,933	389	2,233
(Reversal of allowance for) allowance for bad and doubtful debts		(1,139)	(702)	180	53	(79)
Amortisation of intangible assets		–	–	4,131	2,390	1,731
Depreciation of property and equipment		15,906	10,606	8,173	3,973	6,954
Interest expenses		8,748	14,568	49,027	24,172	45,827
Employee share option benefits		219	203	1,613	1,613	–
Gain on disposal of subsidiaries	41	–	–	–	–	(41,701)
Gain on disposal of intangible asset		–	–	–	–	(9)
Interest on amounts receivable on disposal of subsidiaries		–	–	–	–	(2,160)
Loss (gain) on disposal of property and equipment		7	(43)	98	–	–
Net (increase) decrease in fair value of derivative financial instrument		–	(16)	16	16	–
Operating cash inflows before movements in working capital		51,199	48,548	114,017	62,192	154,361
Increase in inventories		–	–	(349)	(121)	(676)
(Increase) decrease in loan receivables		(36,512)	701	19,016	9,267	(4,167)
Decrease (increase) in account receivables		126,366	(106,533)	(306,408)	(95,079)	(256,877)
Decrease (increase) in prepayments, deposits and other receivables		1,288	(3,296)	(2,563)	(22,047)	(28,391)
Increase in amount due from ultimate holding company		–	–	–	–	(6,517)
Increase in amounts due from associates		–	–	(373)	–	(743)
(Increase) decrease in amounts due from fellow subsidiaries		(262)	1,076	(2,491)	(1,076)	1,469
Decrease (increase) in investments held for trading		36	4,560	(11,845)	14,015	30,184
(Increase) decrease in bank balances – trust and segregated accounts		(51,100)	80,254	(221,675)	(138,215)	(305,225)
Increase (decrease) in account payables		53,044	(61,341)	364,024	89,749	430,496
Increase (decrease) in accrued liabilities and other payables		5,790	(380)	4,053	4,271	44,767
Increase in deferred revenue		–	–	8,027	2,085	9,942
Cash from (used in) operation		149,849	(36,411)	(36,567)	(74,956)	68,623
Income taxes paid		–	–	(845)	–	(733)
Net cash from (used in) operating activities		149,849	(36,411)	(37,412)	(74,956)	67,890

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	Notes	Year ended 31 December			Seven months ended 31 July	
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
Investing activities						
Increase in investment in associate		-	-	-	-	(28,860)
Increase in loan to an associate		-	-	-	-	(10,296)
Disposal of subsidiaries	41	-	-	-	-	(35,976)
Deposit payment for acquisition of online game business		-	(56,095)	-	-	-
Additional payment for acquisition of a subsidiary		(1,400)	-	-	-	-
Acquisition of business	40(a)	-	-	(64,407)	(58,089)	-
Acquisition of assets and liabilities	40(b)	-	-	(736)	-	-
Increase in bank deposits under conditions		(217)	(343)	(10,688)	(17,753)	(469)
Statutory and other deposits (paid) refunded		(1,601)	(947)	(8,677)	(2,160)	6,375
Purchase of intangible assets		-	-	(171)	(171)	-
Purchases of property and equipment		(7,137)	(1,650)	(20,306)	(1,685)	(7,078)
Proceeds on disposal of property and equipment		-	60	5	-	-
Proceeds on disposal of intangible assets		-	-	-	-	1,769
Net cash used in investing activities		(10,355)	(58,975)	(104,980)	(79,858)	(74,535)
Financing activities						
Increase in loan from minority shareholder		-	-	-	-	13,704
(Decrease) increase in bank overdrafts		(7,219)	11,582	59,610	52,365	(24,761)
(Decrease) increase in bank loans		(109,000)	64,000	48,421	41,440	156,520
Repayment of loan		-	-	(12,105)	-	-
Proceeds on issue of shares		101,865	98,170	110,693	110,397	18,855
Proceeds on issue of convertible loan note		40,500	-	-	-	-
Share issue expenses		(2,181)	(300)	(3,000)	(3,000)	-
Dividend paid		-	(7,546)	(41,462)	-	(27,660)
Dividend paid to minority interests		-	-	(353)	(353)	-
Interest paid on bank borrowings		(6,343)	(13,202)	(48,739)	(23,889)	(45,806)
Interest paid on obligations under finance leases		(12)	(15)	(14)	(9)	(21)
Interest paid on convertible loan note		(2,032)	(1,067)	(212)	(212)	-
Repayment of obligations under finance leases		(187)	(220)	(149)	(87)	(263)
Repayment of convertible loan note		(125,100)	(10,000)	(14,300)	(14,300)	-
Net cash (used in) from financing activities		(109,709)	141,402	98,390	162,352	90,568
Net increase (decrease) in cash and cash equivalents		29,785	46,016	(44,002)	7,538	83,923
Cash and cash equivalents at beginning of year/period		41,715	71,500	117,516	117,516	73,226
Effect of change in foreign exchange rate		-	-	(288)	(288)	-
Cash and cash equivalents at end of year/period		<u>71,500</u>	<u>117,516</u>	<u>73,226</u>	<u>124,766</u>	<u>157,149</u>
Bank balances (general accounts) and cash		<u>71,500</u>	<u>117,516</u>	<u>73,226</u>	<u>124,766</u>	<u>157,149</u>

## Notes to the Financial Information

### 1. General

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the GEM of the Stock Exchange. Its immediate holding company is Celestial Investment Group Limited, a limited company incorporated in Hong Kong. Its ultimate holding company is Celestial Asia Securities Holdings Limited (“CASH”), a company incorporated in Bermuda with its shares being listed on the Stock Exchange. The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, while the address of the principal place of business of the Company is 21/F, The Center, 99 Queen’s Road Central, Hong Kong.

The Financial Information is presented in Hong Kong dollars, which is same as the functional currency of the Company.

### 2. Principal Activities

The principal activity of the Company is investment holding. During the Relevant Periods, the principal activities of the Group were the provision of (a) online and traditional brokerage of securities, futures, options and leverage foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) margin financing and money lending, (c) corporate finance and (d) online game services, sales of online game auxiliary products and licensing services.

### 3. Application of Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently applied Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are effective for the Group’s financial period beginning on or before 1 January 2007.

The Group and the Company has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards and interpretations will have no material impact on the financial position and financial results of the Group and the Company.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>4</sup>
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

#### 4. Significant accounting policies

The Financial Information has been prepared under the historical cost basis except for certain financial instruments and investment property, which are measured at fair values as explained in the accounting policies set out below. The Financial Information has been prepared in accordance with the HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

##### *Basis of consolidation*

The Financial Information incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

##### *Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations", which are recognised and measured at fair value less costs to sell.

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

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

***Goodwill***

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

***Investments in subsidiaries***

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

***Investment in associates***

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

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

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

***Revenue recognition***

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

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

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

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

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

***Property and equipment***

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

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

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

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

***Investment property***

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

***Leasing***

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

***The Group as lessee***

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

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

***Foreign currencies***

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

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

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rates prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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

***Retirement benefits costs***

Payments to defined contribution retirement benefits plans/state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

***Borrowing costs***

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

***Taxation***

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

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

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

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

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

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

***Intangible assets******Intangible assets acquired separately***

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

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

*Intangible assets acquired in a business combination*

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

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

*Research and development expenditures*

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

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

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

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

*Impairment*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

***Inventories***

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

***Financial instruments***

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

***Financial assets***

The Group's and the Company's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

**Effective interest method**

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

**Financial assets at fair value through profit or loss**

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

### Loans and receivables

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

### Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

*Financial liabilities and equity*

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

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

*Effective interest method*

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

*Financial liabilities*

Financial liabilities (including account payables, other payables, amounts due to subsidiaries, bank borrowings and loan from minority shareholder) are subsequently measured at amortised cost, using the effective interest method.

*Convertible loan note*

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

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

#### Equity instruments

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

#### Derivative financial instruments

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

#### Embedded derivatives

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

#### *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer 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 original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

#### *Derecognition*

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

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

#### *Equity-settled share-based payment transactions (share options granted to employees of the Company)*

For share options granted on or before 7 November 2002 and/or vested before 1 January 2004, no financial effect of these share options are recognised until they are exercised.

For share options granted after 7 November 2002 but not yet vested before 1 January 2004 and those options granted after 1 January 2004, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expenses in full at the grant date when share options granted vested immediately, with a corresponding increase in equity (share-based payment reserve).

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

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

***Impairment losses (other than goodwill and intangible assets with indefinite useful lives)***

At each balance sheet date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

**5. Key sources of estimation uncertainty**

In the process of applying the Group's and the Company's accounting policies, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the Financial Information within the next twelve months are disclosed below.

***Income taxes***

No deferred tax asset has been recognised as at 31 December 2004. A deferred tax asset of approximately HK\$4,716,000, HK\$2,346,000 and HK\$2,339,000 in relation to unused tax losses were recognised in the Group's consolidated balance sheet as at 31 December 2005 and 2006 and 31 July 2007 respectively. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK\$372,487,000, HK\$325,487,000, HK\$308,213,000 and HK\$285,011,000 as at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

*Allowance for/reversal of allowance for bad and doubtful debts*

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

*Estimated impairment of goodwill and intangible assets*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The carrying amount of goodwill is approximately HK\$7,303,000, HK\$7,303,000, HK\$117,248,000 and HK\$7,303,000 as at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively. Details of the recoverable amount calculation are disclosed in note 21.

Determining whether intangible asset relating to online game related intellectual property is impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the online game related intellectual property and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2004 and 2005 and 31 July 2007, there was no intangible asset relating to online game related intellectual property. As at 31 December 2006, the carrying amount of online game development cost is approximately HK\$12,430,000. Details of the recoverable amount calculation are disclosed in notes 20 and 21.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. As at 31 December 2004 and 2005 and 31 July 2007, there was no intangible asset relating to domain name. As at 31 December 2006, the carrying amount of the domain name is approximately HK\$5,460,000. Details of the recoverable amount calculation are disclosed in notes 20 and 21.

## 6. Financial instruments

*Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the Financial Information.

*Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings disclosed in note 35, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 36, reserves and retained earnings 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 Relevant Periods.

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

*Categories of financial instruments*

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>				
Fair value through profit or loss	47,032	42,472	54,317	24,133
Derivative instruments	–	16	–	–
Loans and receivables (including cash and cash equivalents)	929,740	1,057,736	1,492,052	2,327,247
<b>Financial liabilities</b>				
Amortised cost	761,883	766,237	1,229,561	1,791,615

	THE COMPANY			At
	At 31 December			31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Loans and receivables				
(including cash and cash equivalents)	103,514	128,463	235,933	331,529
<b>Financial liabilities</b>				
Amortised cost	363,107	353,515	323,273	428,311

*Financial risk management objectives and policies*

The Group's and the Company's major financial instruments include equity investments, statutory and other deposits, bank balances, bank borrowings, account receivables and account payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Market risk*

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments.

Equity price sensitivity

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the market bid prices of the listed investments had been 10 per cent higher/lower, the Group's profit would increase/decrease by HK\$4,703,000, HK\$4,247,000, HK\$5,432,000 and HK\$2,413,000 for the years ended 31 December 2004, 2005 and 2006 and for the seven months ended 31 July 2007 respectively. This is mainly attributable to the changes in fair values of the listed investments held for trading.

#### Cash flow interest rate risk

Most of the bank borrowings, that are matured within 3 months and are collateralised by margin clients' securities, and the loans to margin clients carry interest at variable rate which exposes the Group to cash flow interest rate risk. The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arises.

If the interest rate of the bank borrowings had been 100 basis points higher/lower, the Group's profit would decrease/increase by HK\$1,095,000, HK\$1,825,000, HK\$2,920,000 and HK\$2,007,500 for the years ended 31 December 2004, 2005 and 2006 and for the seven months ended 31 July 2007 respectively. This is mainly attributable to the bank interest expenses under finance costs.

If the interest rate of the loans to margin clients had been 100 basis points higher/lower, the Group's profit would increase/decrease by HK\$1,822,870, HK\$2,707,070, HK\$4,435,240 and HK\$3,052,915 for the years ended 31 December 2004, 2005 and 2006 and for the seven months ended 31 July 2007 respectively. This is mainly attributable to the interest income under revenue.

#### *Credit risk*

The maximum exposure of the Group to credit risk in the event of the counterparties failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheets. The maximum exposure of the Company to credit risk in the event of the counterparties failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheets and the financial guarantee contracts issued by the Company to its subsidiaries.

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

Other than concentration of credit risk on amounts receivable on disposal of subsidiaries which are payable by CIGL, the Group does not have any other 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.

#### *Liquidity risk*

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

## Liquidity and interest risk tables

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

	Weighted average effective interest rate %	THE GROUP			Carrying amount at balance sheet date HK\$'000
		Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>At 31 December 2004</b>					
Non-interest bearing	–	625,831	–	625,831	625,831
Finance lease liability	1.4 – 6%	66	–	66	63
Variable interest rate instruments	HIBOR plus spread	96,283	–	96,283	96,155
Fixed interest rate instruments	3%	–	42,224	42,224	39,834
		<u>722,180</u>	<u>42,224</u>	<u>764,404</u>	<u>761,883</u>
<b>At 31 December 2005</b>					
Non-interest bearing	–	563,949	–	563,949	563,949
Finance lease liability	1.4 – 6%	156	172	328	309
Variable interest rate instruments	HIBOR plus spread	172,510	–	172,510	171,737
Fixed interest rate instruments	3%	31,149	–	31,149	30,242
		<u>767,764</u>	<u>172</u>	<u>767,936</u>	<u>766,237</u>
<b>At 31 December 2006</b>					
Non-interest bearing	–	949,463	–	949,463	949,463
Finance lease liability	1.4 – 6%	224	124	348	330
Variable interest rate instruments	HIBOR plus spread	279,798	1,409	281,207	279,768
		<u>1,229,485</u>	<u>1,533</u>	<u>1,231,018</u>	<u>1,229,561</u>
<b>At 31 July 2007</b>					
Non-interest bearing	–	1,381,962	–	1,381,962	1,381,962
Finance lease liability	1.4 – 6%	70	–	70	67
Variable interest rate instruments	HIBOR plus spread	411,634	–	411,634	409,586
		<u>1,793,666</u>	<u>–</u>	<u>1,793,666</u>	<u>1,791,615</u>

	THE COMPANY				Carrying amount at balance sheet date HK\$'000
	Weighted average effective interest rate %	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>At 31 December 2004</b>					
Non-interest bearing	–	323,273	–	323,273	323,273
Fixed interest rate instruments	3%	–	42,224	42,224	39,834
		<u>323,273</u>	<u>42,224</u>	<u>365,497</u>	<u>363,107</u>
<b>At 31 December 2005</b>					
Non-interest bearing	–	323,273	–	323,273	323,273
Fixed interest rate instruments	3%	31,149	–	31,149	30,242
		<u>354,422</u>	<u>–</u>	<u>354,422</u>	<u>353,515</u>
<b>At 31 December 2006</b>					
Non-interest bearing	–	323,273	–	323,273	323,273
<b>At 31 July 2007</b>					
Non-interest bearing	–	428,311	–	428,311	428,311

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

	THE GROUP					Carrying amount at balance sheet date HK\$'000
	Weighted average effective interest rate %	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>At 31 December 2004</b>						
Non-interest bearing	–	227,923	–	–	227,923	227,923
Variable interest rate instruments	Prime Rate plus spread	732,131	20,804	–	752,935	748,849
		<u>960,054</u>	<u>20,804</u>	<u>–</u>	<u>980,858</u>	<u>976,772</u>
<b>At 31 December 2005</b>						
Non-interest bearing	–	294,764	–	–	294,764	294,764
Variable interest rate instruments	Prime Rate plus spread	810,406	23	99	810,528	805,460
		<u>1,105,170</u>	<u>23</u>	<u>99</u>	<u>1,105,292</u>	<u>1,100,224</u>
<b>At 31 December 2006</b>						
Non-interest bearing	–	393,579	–	–	393,579	393,579
Variable interest rate instruments	Prime Rate plus spread	1,159,116	23	80	1,159,219	1,152,790
		<u>1,552,695</u>	<u>23</u>	<u>80</u>	<u>1,552,798</u>	<u>1,546,369</u>
<b>At 31 July 2007</b>						
Non-interest bearing	–	396,554	10,296	–	406,850	406,850
Variable interest rate instruments	Prime Rate plus spread	1,779,145	199,260	65	1,978,470	1,944,530
		<u>2,175,699</u>	<u>209,556</u>	<u>65</u>	<u>2,385,320</u>	<u>2,351,380</u>

	THE COMPANY				Carrying amount at balance sheet date HK\$'000
	Weighted average effective interest rate %	Less than 1 year HK\$'000	Between 1 to 2 years HK\$'000	Total undiscounted cash flows HK\$'000	
<b>At 31 December 2004</b>					
Non-interest bearing	–	102,620	–	102,620	102,620
Variable interest rate instruments	Prime Rate plus spread	894	–	894	894
		<u>103,514</u>	<u>–</u>	<u>103,514</u>	<u>103,514</u>
<b>At 31 December 2005</b>					
Non-interest bearing	–	127,772	–	127,772	127,772
Variable interest rate instruments	Prime Rate plus spread	693	–	693	691
		<u>128,465</u>	<u>–</u>	<u>128,465</u>	<u>128,463</u>
<b>At 31 December 2006</b>					
Non-interest bearing	–	235,861	–	235,861	235,861
Variable interest rate instruments	Prime Rate plus spread	72	–	72	72
		<u>235,933</u>	<u>–</u>	<u>235,933</u>	<u>235,933</u>
<b>At 31 July 2007</b>					
Non-interest bearing	–	154,086	–	154,086	154,086
Variable interest rate instruments	Prime Rate plus spread	2,733	199,236	201,969	177,443
		<u>156,819</u>	<u>199,236</u>	<u>356,055</u>	<u>331,529</u>

*Fair values*

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions; and
- the fair values of derivative instruments, are calculated using quoted prices. Where such prices are not available, the fair values of a non-option derivatives are estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes pricing model).

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

**7. Revenue**

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Continuing operations:</b>					
Fees and commission income	210,729	178,719	263,032	153,322	248,995
Interest income	29,243	34,838	82,945	43,669	73,371
	239,972	213,557	345,977	196,991	322,366
<b>Discontinued operations:</b>					
Online game income	–	–	25,316	6,831	23,309
Sales of online game auxiliary products	–	–	9,459	1,149	9,738
Licensing income	–	–	2,476	335	2,064
	–	–	37,251	8,315	35,111

## 8. Business and geographical segments

*Business segments*

For management purposes, the Group is organised into four main operating divisions, namely, broking, financing, corporate finance and online game services for the Relevant Periods. The online game services division arose from acquisition of online game business on 10 January 2006 as mentioned in note 40(a). This online game services division was disposed of and was discontinued on 1 June 2007 as mentioned in notes 14 and 41. The following four divisions are the basis on which the Group reports its primary segment information.

Principal activities for the Relevant Periods are as follows:

Broking	–	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading
Financing	–	Provision of margin financing and money lending services
Corporate finance	–	Provision of corporate finance services
Online game services	–	Provision of online games services, sales of online game auxiliary products and licensing services

The Group's operation by business segment is as follows:

*Consolidated income statement for the year ended 31 December 2004*

	Continuing operations			Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	
Revenue	204,092	29,243	6,637	239,972
<b>RESULT</b>				
Segment profit (loss)	48,936	8,527	(7,863)	49,600
Other operating income				7,710
Unallocated corporate expenses				(31,948)
Profit before taxation				25,362
Taxation charge				(350)
Profit for the year				25,012

Consolidated balance sheet as at 31 December 2004

	Continuing operations			Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	
<b>ASSETS</b>				
Segment assets	<u>686,032</u>	<u>293,478</u>	<u>11,400</u>	990,910
Unallocated corporate assets				<u>41,465</u>
Consolidated total assets				<u>1,032,375</u>
<b>LIABILITIES</b>				
Segment liabilities	<u>552,738</u>	<u>160,323</u>	<u>3,353</u>	716,414
Unallocated corporate liabilities				<u>71,447</u>
Consolidated total liabilities				<u>787,861</u>

Other information for the year ended 31 December 2004

	Continuing operations				Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Unallocated HK\$'000	
Additions of property and equipment	-	-	-	7,137	7,137
Reversal of allowance for bad and doubtful debts	-	(1,139)	-	-	(1,139)
Depreciation of property and equipment	1,132	-	32	14,742	15,906
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>

*Consolidated income statement for the year ended 31 December 2005*

	Continuing operations			Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	
Revenue	171,628	34,838	7,091	213,557
<b>RESULT</b>				
Segment profit (loss)	29,847	7,281	(5,337)	31,791
Other operating income				2,721
Unallocated corporate expenses				(10,665)
Profit before taxation				23,847
Taxation credit				3,440
Profit for the year				27,287

*Consolidated balance sheet as at 31 December 2005*

	Continuing operations			Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	
<b>ASSETS</b>				
Segment assets	628,476	404,049	16,601	1,049,126
Unallocated corporate assets				106,039
Consolidated total assets				1,155,165
<b>LIABILITIES</b>				
Segment liabilities	478,417	248,885	3,337	730,639
Unallocated corporate liabilities				62,237
Consolidated total liabilities				792,876

Other information for the year ended 31 December 2005

	Continuing operations				Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate		
			finance HK\$'000	Unallocated HK\$'000	
Additions of property and equipment	-	-	-	2,116	2,116
(Reversal of allowance for) allowance for bad and doubtful debts	(104)	(898)	300	-	(702)
Depreciation of property and equipment	769	-	19	9,818	10,606
Gain on disposal of property and equipment	-	-	-	(43)	(43)

Consolidated income statement for the year ended 31 December 2006

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate		Online	
			finance HK\$'000	Total HK\$'000	game services HK\$'000	
Revenue	247,547	85,054	13,376	345,977	37,251	383,228
RESULT						
Segment profit (loss)	64,917	15,277	2,219	82,413	(18,884)	63,529
Other operating income				2,178	219	2,397
Unallocated corporate expenses				(11,070)	(8,719)	(19,789)
Profit (loss) before taxation				73,521	(27,384)	46,137
Taxation charge				(5,796)	(143)	(5,939)
Profit (loss) for the year				67,725	(27,527)	40,198

*Consolidated balance sheet as at 31 December 2006*

	Continuing operations				Discontinued operations	Consolidated HK\$'000	
	Broking HK\$'000	Financing HK\$'000	Corporate		Total HK\$'000		Online game
			finance HK\$'000	Unallocated			services
ASSETS							
Segment assets	<u>988,905</u>	<u>540,658</u>	<u>12,542</u>	<u>1,542,105</u>	<u>182,249</u>	1,724,354	
Unallocated corporate assets						<u>55,331</u>	
Consolidated total assets						<u>1,779,685</u>	
LIABILITIES							
Segment liabilities	<u>846,541</u>	<u>383,479</u>	<u>358</u>	<u>1,230,378</u>	<u>38,932</u>	1,269,310	
Unallocated corporate liabilities						<u>22,583</u>	
Consolidated total liabilities						<u>1,291,893</u>	

*Other information for the year ended 31 December 2006*

	Continuing operations				Discontinued operations	Consolidated HK\$'000	
	Broking HK\$'000	Financing HK\$'000	Corporate		Total HK\$'000		Online game
			finance HK\$'000	Unallocated			services
Additions of property and equipment	–	–	–	9,416	9,416	10,890	20,306
Allowance for bad and doubtful debts	53	27	100	–	180	–	180
Depreciation of property and equipment	125	–	1	6,930	7,056	1,117	8,173
Loss on disposal of property and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>98</u>	<u>98</u>

*Consolidated income statement for the seven months ended 31 July 2006 (unaudited)*

	Continuing operations				Discontinued operations		
	Broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Corporate		Total <i>HK\$'000</i>	Online	Consolidated <i>HK\$'000</i>
			finance			game	
			<i>HK\$'000</i>	<i>HK\$'000</i>		services	
Revenue	145,481	44,194	7,316	196,991	8,315	205,306	
<b>RESULT</b>							
Segment profit (loss)	42,246	8,354	841	51,441	(11,930)	39,511	
Other operating income				716	4	720	
Unallocated corporate expenses				(8,300)	(2,054)	(10,354)	
Profit (loss) before taxation				43,857	(13,980)	29,877	
Taxation charge				(3,258)	(10)	(3,268)	
Profit (loss) for the period				40,599	(13,990)	26,609	

*Other information for the seven months ended 31 July 2006 (unaudited)*

	Continuing operations				Discontinued operations		
	Broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Corporate		Total <i>HK\$'000</i>	Online	Consolidated <i>HK\$'000</i>
			finance			game	
			<i>HK\$'000</i>	<i>HK\$'000</i>		services	
Additions of property and equipment	–	–	–	1,261	1,261	424	1,685
Allowance for bad and doubtful debts	53	–	–	–	53	–	53
Depreciation of property and equipment	88	–	1	3,719	3,808	165	3,973

*Consolidated income statement for the seven months ended 31 July 2007*

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate	Total HK\$'000	Online	
			finance		game	
			HK\$'000		services	
Revenue	240,006	73,371	8,989	322,366	35,111	357,477
<b>RESULT</b>						
Segment profit (loss)	101,053	13,832	1,606	116,491	(7,528)	108,963
Other operating income				879	336	1,215
Gain on disposal of subsidiaries				–	41,701	41,701
Unallocated corporate expenses				(6,709)	(3,605)	(10,314)
Profit before taxation				110,661	30,904	141,565
Taxation charge				(15,037)	–	(15,037)
Profit for the period				95,624	30,904	126,528

*Consolidated balance sheet as at 31 July 2007*

	Continuing operations				Discontinued operations	Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate	Total HK\$'000	Online	
			finance		game	
			HK\$'000		services	
<b>ASSETS</b>						
Segment assets	1,343,825	815,879	15,252	2,174,956	–	2,174,956
Unallocated corporate assets						284,251
Consolidated total assets						2,459,207
<b>LIABILITIES</b>						
Segment liabilities	1,212,316	579,457	358	1,792,131	–	1,792,131
Unallocated corporate liabilities						63,404
Consolidated total liabilities						1,855,535

Other information for the seven months ended 31 July 2007

	Continuing operations				Discontinued operations		
	Broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Corporate		Total <i>HK\$'000</i>	Online	Consolidated <i>HK\$'000</i>
			finance <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>		game services <i>HK\$'000</i>	
Additions of property and equipment	-	-	-	1,395	1,395	5,683	7,078
Allowance for (reversal of allowance for) bad and doubtful debts	81	(160)	-	-	(79)	-	(79)
Depreciation of property and equipment	5	-	-	4,543	4,548	2,406	6,954

#### Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan for the Relevant Periods. For the activities of broking, financing and corporate finance, they are based in Hong Kong and the revenue of these activities for the Relevant Periods are derived from Hong Kong. The online game services are mainly based in the PRC and Taiwan and the relevant revenue for the Relevant Periods are derived mainly from the PRC and Taiwan.

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

	Year ended 31 December			Seven months ended 31 July	
	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Continuing operations:					
Hong Kong	239,972	213,557	345,977	196,991	322,366
Discontinued operations:					
The PRC	-	-	25,525	8,315	27,781
Taiwan	-	-	11,726	-	7,330
	-	-	37,251	8,315	35,111
	239,972	213,557	383,228	205,306	357,477

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

*Carrying amount of segment assets*

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations:					
Hong Kong	990,910	1,049,126	1,542,105	1,449,083	2,174,956
Discontinued operations					
The PRC	–	–	143,023	23,718	–
Taiwan	–	–	39,226	–	–
	–	–	182,249	23,718	–
	990,910	1,049,126	1,724,354	1,472,801	2,174,956

*Additions to property and equipment*

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Continuing operations:					
Hong Kong	–	–	–	–	–
Discontinued operations					
The PRC	–	–	10,290	424	1,824
Taiwan	–	–	600	–	3,859
	–	–	10,890	424	5,683
	–	–	10,890	424	5,683

## 9. Salaries, commission and related benefits

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and comprises of:					
<b>Continuing operations:</b>					
Salaries, allowances and commission	117,879	106,050	147,575	85,594	122,200
Contributions to retirement benefits scheme	1,680	2,050	2,261	1,310	1,673
Share-based payment	219	203	1,613	1,613	–
	<u>119,778</u>	<u>108,303</u>	<u>151,449</u>	<u>88,517</u>	<u>123,873</u>
<b>Discontinued operations:</b>					
Salaries, allowances and commission	–	–	10,842	4,621	10,027
Contributions to retirement benefits scheme	–	–	1,174	231	638
	<u>–</u>	<u>–</u>	<u>12,016</u>	<u>4,852</u>	<u>10,665</u>

## 10. Finance costs

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Continuing operations:</b>					
Interest on:					
Bank overdrafts and borrowings wholly repayable within five years	6,343	13,202	48,736	23,889	45,806
Finance leases	12	15	14	9	21
Effective interest expense on convertible loan note	2,393	1,351	274	274	–
	<u>8,748</u>	<u>14,568</u>	<u>49,024</u>	<u>24,172</u>	<u>45,827</u>
<b>Discontinued operations:</b>					
Interest on bank overdrafts and borrowings wholly repayable within five years	–	–	3	–	84
	<u>–</u>	<u>–</u>	<u>3</u>	<u>–</u>	<u>84</u>

## 11. Directors' remuneration

The remuneration paid or payable to each of the directors during the Relevant Periods were as follows:

	Kwan		Wong		Law	Kwok		Hui	Lo		Wong	2004
	Pak Hoo Bankee	Law Ping Wah	Kin Yick Kenneth	Cheng Man Pan		Miao Wen Hao	Oi Kuen Joan		Cheng Shu Shing	Kwok Hung		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees:												
Executive directors	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors	-	-	-	-	-	-	-	100	-	100	100	300
Other remuneration paid to executive directors:												
Salaries, allowances and benefits in kind	320	600	1,017	342	715	-	-	-	-	-	-	2,994
Share-based payment	-	-	-	8	-	-	-	-	-	-	-	8
Contributions to retirement benefits scheme	6	30	51	17	35	-	-	-	-	-	-	139
<b>Total remuneration</b>	<b>326</b>	<b>630</b>	<b>1,068</b>	<b>367</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>3,441</b>

	Kwan		Wong		Law	Kwok		Hui	Lo		Wong	2005
	Pak Hoo Bankee	Law Ping Wah	Kin Yick Kenneth	Cheng Man Pan		Oi Kuen Joan	Cheng Shu Shing		Kwok Ka Wah	Kwok Hung		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees:												
Executive directors	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors	-	-	-	-	-	-	100	100	30	70	300	300
Other remuneration paid to executive directors:												
Salaries, allowances and benefits in kind	120	600	1,160	640	-	-	-	-	-	-	-	2,520
Share-based payment	17	17	17	18	17	2	2	2	2	-	-	92
Contributions to retirement benefits scheme	6	30	58	27	-	-	-	-	-	-	-	121
<b>Total remuneration</b>	<b>143</b>	<b>647</b>	<b>1,235</b>	<b>685</b>	<b>17</b>	<b>102</b>	<b>102</b>	<b>102</b>	<b>32</b>	<b>70</b>	<b>300</b>	<b>3,033</b>

# APPENDIX I

# ACCOUNTANTS' REPORT

	Kwan		Wong		Kwok		Hui		Lo	2006 Total
	Pak Hoo	Law	Kin Yick	Cheng	Oi Kuen	Cheng	Ka Wah	Kwok		
	Bankee	Ping Wah	Kenneth	Man Pan	Joan	Shu Shing	Ronnie	Hung		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Fees:										
Executive directors	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors	-	-	-	-	-	100	100	100	100	300
Other remuneration paid to executive directors:										
Salaries, allowances and benefits in kind	120	600	1,290	734	-	-	-	-	-	2,744
Discretionary bonus	-	-	1,000	-	-	-	-	-	-	1,000
Share-based payment	90	90	90	90	-	15	15	15	15	405
Contributions to retirement benefits scheme	6	30	66	30	-	-	-	-	-	132
<b>Total remuneration</b>	<b>216</b>	<b>720</b>	<b>2,446</b>	<b>854</b>	<b>-</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>4,581</b>
										<b>For the seven months ended 31.7.2006</b>
										<b>Total</b>
										<b>HK\$'000</b>
										<b>HK\$'000</b>
										<b>(unaudited)</b>
Fees:										
Executive directors	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors	-	-	-	-	-	58	58	58	58	174
Other remuneration paid to executive directors:										
Salaries, allowances and benefits in kind	70	350	790	422	-	-	-	-	-	1,632
Share-based payment	90	90	90	90	-	15	15	15	15	405
Contributions to retirement benefits scheme	4	17	41	17	-	-	-	-	-	79
<b>Total remuneration</b>	<b>164</b>	<b>457</b>	<b>921</b>	<b>529</b>	<b>-</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>2,290</b>

								Lo	For the
	Kwan		Wong		Kwok		Kwok	months	
	Pak Hoo	Law	Kin Yick	Cheng	Oi Kuen	Cheng	Hui	Hung	
	Bankee	Ping Wah	Kenneth	Man Pan	Joan	Shu Shing	Ka Wah	John	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Elmond	Raymond	Ronnie	John	
					HK\$'000	HK\$'000	HK\$'000	HK\$'000	
								ended	
								31.7.2007	
								Total	
								HK\$'000	
Fees:									
Executive directors	-	-	-	-	-	-	-	-	-
Independent non-executive directors	-	-	-	-	-	58	58	58	174
Other remuneration paid to executive directors:									
Salaries, allowances and benefits in kind	70	470	900	445	-	-	-	-	1,885
Discretionary bonus	-	-	-	511	-	-	-	-	511
Contributions to retirement benefits scheme	4	18	62	29	-	-	-	-	113
Total remuneration	<u>74</u>	<u>488</u>	<u>962</u>	<u>985</u>	<u>-</u>	<u>58</u>	<u>58</u>	<u>58</u>	<u>2,683</u>

During the year ended 31 December 2004, Mr. Cheng Man Pan was appointed as an executive director and Mr. Law Ka Kin and Mr. Miao Wen Hao Felix resigned as executive directors, and Dr. Hui Ka Wah Ronnie was appointed as an independent non-executive director and Mr. Lo Kwok Hung John resigned as an independent non-executive director.

During the year ended 31 December 2005, Mr. Wong Kwong Chi Simon resigned as an independent non-executive director and Mr. Lo Kwok Hung John was appointed as an independent non-executive director.

During the seven months ended 31 July 2006 and the year ended 31 December 2006, Ms. Kwok Oi Kuen Joan Elmond resigned as an executive director.

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

## 12. Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two were directors of the Company for the seven months ended 31 July 2007 and one was director of the Company for each of the three years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2006 respectively, details of whose emolument are included in the disclosures in note 11 above. The emoluments of the remaining individuals were as follows:

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Salaries, allowances and benefits in kind	5,177	5,487	3,400	2,403	1,213
Contributions to retirement benefits scheme	162	146	180	105	63
Performance related incentive payments	182	102	4,747	2,535	6,184
Discretionary bonus	–	–	260	–	297
Employee share option benefits	30	12	75	75	–
	<u>5,551</u>	<u>5,747</u>	<u>8,662</u>	<u>5,118</u>	<u>7,757</u>

Their remuneration of the five highest paid individuals (others than directors) were within the following bands:

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Nil to HK\$1,000,000	1	–	–	2	–
HK\$1,000,001 to HK\$1,500,000	2	3	1	1	1
HK\$1,500,001 to HK\$2,000,000	1	1	2	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	–	1	2
HK\$3,500,001 to HK\$4,000,000	–	–	1	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

During the Relevant Periods, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

## 13. Taxation (charge) credit

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Continuing operations:</b>					
Current tax:					
– Hong Kong	(350)	(500)	(4,140)	(1,340)	(14,926)
Over (under) provision					
in prior years	–	–	94	94	(111)
Deferred taxation	–	3,940	(1,750)	(2,012)	–
	<u>(350)</u>	<u>3,440</u>	<u>(5,796)</u>	<u>(3,258)</u>	<u>(15,037)</u>
<b>Discontinued operations:</b>					
Current tax:					
– The PRC	–	–	(143)	(10)	–
	<u>(350)</u>	<u>3,440</u>	<u>(5,939)</u>	<u>(3,268)</u>	<u>(15,037)</u>

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

Certain subsidiaries of the Group are operating in the PRC. They are subject to tax with rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone). For the seven months ended 31 July 2007, no provision for the PRC income tax has been made as they have adjusted loss.

No provision for taxation has been made for subsidiary located in Taiwan as no assessable profit is arisen for the Relevant Periods.

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

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation:					
Continuing operations	25,362	23,847	73,521	43,857	110,661
Discontinued operations	–	–	(27,384)	(13,980)	30,904
	<u>25,362</u>	<u>23,847</u>	<u>46,137</u>	<u>29,877</u>	<u>141,565</u>
Taxation at income tax rate of 17.5%	(4,438)	(4,173)	(8,074)	(5,229)	(24,774)
Over (under) provision in respect of prior years	–	–	94	94	(111)
Tax effect of expenses not deductible for tax purpose	(3,482)	(1,499)	(3,319)	(1,790)	(613)
Tax effect of income not taxable for tax purpose	571	936	3,008	1,948	6,595
Tax effect of utilisation of estimated tax losses previously not recognised	10,109	5,492	5,708	3,696	5,417
Tax effect of estimated tax losses not recognised	(3,138)	(1,207)	(2,685)	(1,739)	(1,356)
Tax effect of estimated tax losses in previous years now recognised	–	3,940	–	–	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	–	–	(587)	(349)	(202)
Other differences	28	(49)	(84)	101	7
	<u>28</u>	<u>(49)</u>	<u>(84)</u>	<u>101</u>	<u>7</u>
Taxation for the year/period	<u>(350)</u>	<u>3,440</u>	<u>(5,939)</u>	<u>(3,268)</u>	<u>(15,037)</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

The following are the major deferred tax assets and liabilities recognised and the movements thereon during the Relevant Periods:

	<b>Accelerated tax depreciation</b>	<b>Estimated tax losses</b>	<b>Intangible asset</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2004	(2,748)	2,748	–	–
Credit (charge) to consolidated income statement	803	(803)	–	–
At 31 December 2004 and 1 January 2005	(1,945)	1,945	–	–
Credit to consolidated income statement	1,169	2,771	–	3,940
At 31 December 2005 and 1 January 2006	(776)	4,716	–	3,940
Deferred tax liability on intangible asset arising from acquisition of subsidiaries (note 40(a)(i))	–	–	(2,459)	(2,459)
Credit (charge) to consolidated income statement	5	(2,370)	615	(1,750)
At 31 December 2006 and 1 January 2007	(771)	2,346	(1,844)	(269)
Eliminated on disposal of subsidiaries (note 41)	–	–	1,844	1,844
Credit (charge) to consolidated income statement	7	(7)	–	–
At 31 July 2007	(764)	2,339	–	1,575

For the purpose of the balance sheet presentation, deferred tax assets and liabilities of approximately HK\$1,945,000 have been offset as at 31 December 2004.

As at 31 December 2004, 2005, 2006 and 31 July 2007, the Group had unused estimated tax losses of HK\$383,601,000, HK\$352,436,000, HK\$321,618,000 and HK\$298,374,000 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$11,114,000, HK\$26,949,000, HK\$13,405,000 and HK\$13,363,000 of such losses as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively. No deferred tax asset has been recognised in respect of remaining HK\$372,487,000, HK\$325,487,000, HK\$308,213,000 and HK\$285,011,000 as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely.

#### 14. Discontinued operations

On 23 April 2007, the Group entered into a sale and purchase agreement with CASH to dispose of Netfield Technology Limited and its subsidiaries ("Netfield Group"), which carried out the Group's online game services operations. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 1 June 2007, on which date control of Netfield Group has been passed to CASH.

The (loss) profit for the year/period from the discontinued operation is analysed as follows:

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Gain on disposal of Netfield Group	-	-	-	-	41,701
Loss for the year/period on online game services operations	-	-	(27,527)	(13,990)	(10,797)
	-	-	(27,527)	(13,990)	30,904

**APPENDIX I****ACCOUNTANTS' REPORT**

The results of Netfield Group for the period from 10 January 2006 (date of acquisition) to 31 December 2006, for the period from 10 January 2006 to 31 July 2006 and for the period from 1 January 2007 to 31 May 2007 (date of disposal), which have been included in the consolidated income statement, were as follows:

	<b>For the period from 10 January 2006 to 31 December 2006 HK\$'000</b>	<b>For the period from 10 January 2006 to 31 July 2006 HK\$'000</b>	<b>For the five months ended 31 May 2007 HK\$'000</b>
Revenue	37,251	8,315	35,111
Other operating income	219	4	336
Salaries, commission and related benefits	(12,016)	(4,852)	(10,665)
Depreciation and amortisation	(5,248)	(2,555)	(4,137)
Other operating and administrative expenses	(47,489)	(14,892)	(31,358)
Finance costs	(3)	–	(84)
Loss on disposal of property and equipment	(98)	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Loss before taxation	(27,384)	(13,980)	(10,797)
Taxation	(143)	(10)	–
	<u>          </u>	<u>          </u>	<u>          </u>
Loss for the year/period	<u>(27,527)</u>	<u>(13,990)</u>	<u>(10,797)</u>
Attributable to:			
The Group	(27,742)	(13,990)	(10,325)
Minority interests	215	–	(472)
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(27,527)</u>	<u>(13,990)</u>	<u>(10,797)</u>

The cash flows of Netfield Group for the year/period are as follows:

	<b>For the period from 10 January 2006 to 31 December 2006 HK\$'000</b>	<b>For the period from 10 January 2006 to 31 July 2006 HK\$'000</b>	<b>For the five months ended 31 May 2007 HK\$'000</b>
Net cash (used in) from operating activities	(31,614)	(12,301)	33,375
Net cash used in investing activities	(17,379)	(8,365)	(5,683)
Net cash from financing activities	56,123	22,100	48,367
	<u>          </u>	<u>          </u>	<u>          </u>

The carrying amounts of the assets and liabilities of Netfield Group at the date of disposal are disclosed in note 41.

## 15. Profit for the year/period

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the year/period has been arrived at after charging (crediting):					
<b>Continuing operations:</b>				(unaudited)	
Auditor's remuneration	1,200	1,550	1,391	757	757
Depreciation of property and equipment					
Owned assets	15,716	10,471	6,963	3,754	4,494
Leased assets	190	135	93	54	54
	<u>15,906</u>	<u>10,606</u>	<u>7,056</u>	<u>3,808</u>	<u>4,548</u>
Advertising and promotion expenses	4,258	6,134	12,102	7,100	5,039
Operating lease rentals in respect of land and buildings	10,765	9,415	10,197	5,807	6,140
Loss (gain) on disposal of property and equipment	7	(43)	–	–	–
Gain on disposal of intangible assets	–	–	–	–	(9)
Net foreign exchange (gain) loss	(3,574)	645	(131)	(354)	(1,108)
Unrealised gain on derivative financial instrument	–	(16)	–	–	–
Dividends from investments	(693)	(143)	(471)	(151)	(197)
(Reversal of allowance for) allowance for bad and doubtful debts on loans and receivables					
– Account receivables	(615)	196	100	–	–
– Loan receivables	(524)	–	–	–	–
Bad debt (written back) written off directly	–	(898)	80	53	(79)
	<u>–</u>	<u>(898)</u>	<u>80</u>	<u>53</u>	<u>(79)</u>
<b>Discontinued operations:</b>					
Auditor's remuneration	–	–	409	223	223
Amortisation of intangible assets	–	–	4,131	2,390	1,731
Depreciation of property and equipment					
Owned assets	–	–	1,114	165	2,406
Leased assets	–	–	3	–	–
	–	–	1,117	165	2,406
Advertising and promotion expenses	–	–	12,865	3,225	22,429
Operating lease rentals in respect of land and buildings	–	–	2,902	1,288	1,330
Loss on disposal of property and equipment	–	–	98	–	–
	<u>–</u>	<u>–</u>	<u>98</u>	<u>–</u>	<u>–</u>

## 16. Earnings (loss) per share

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

*For continuing and discontinued operations*

	Year ended 31 December			Seven months ended 31 July	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
<i>Profit</i>					
Profit for the purpose of basic earnings per share	24,588	26,626	39,944	26,320	126,540
Effect of dilutive potential ordinary shares:					
Interest on convertible loan note	–	1,351	274	274	–
Profit for the purpose of diluted earnings per share	<u>24,588</u>	<u>27,977</u>	<u>40,218</u>	<u>26,594</u>	<u>126,540</u>

*From continuing operations*

	Year ended 31 December			Seven months ended 31 July	
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2006 HK\$'000 (unaudited)	2007 HK\$'000
<i>Profit</i>					
Profit for the purpose of basic earnings per share	24,588	26,626	67,686	40,310	95,164
Effect of dilutive potential ordinary shares:					
Interest on convertible loan note	–	1,351	274	274	–
Profit for the purpose of diluted earnings per share	<u>24,588</u>	<u>27,977</u>	<u>67,960</u>	<u>40,584</u>	<u>95,164</u>

*From discontinued operations*

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(Loss) profit for the purpose of basic and diluted loss per share	–	–	(27,742)	(13,990)	31,376

	Year ended 31 December			Seven months ended 31 July	
	2004	2005	2006	2006	2007
	(unaudited)				
<i>Number of shares</i>					
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	744,642,827	964,557,144	1,589,792,062	1,581,562,346	1,610,915,101
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	N/A	130,939,865	25,229,374	43,437,366	N/A
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A	N/A	4,760,596	N/A	37,376,416
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	744,642,827	1,095,497,009	1,619,782,032	1,624,999,712	1,648,291,517

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the rights issue on 21 November 2007.

In the opinion of the directors of the Company, in 2004, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan note due to insignificant effect.

For each of the years ended 31 December 2004, 2005, 2006 and the seven months ended 31 July 2006 and 2007, the computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares for the Relevant Periods.

## 17. Property and equipment

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP					
COST					
At 1 January 2004	29,380	20,988	24,092	1,723	76,183
Additions	4,911	619	1,607	–	7,137
Disposals/written off	–	–	(15)	–	(15)
At 31 December 2004	34,291	21,607	25,684	1,723	83,305
Additions	197	136	1,317	466	2,116
Disposals/written off	–	(8)	–	(350)	(358)
At 31 December 2005	34,488	21,735	27,001	1,839	85,063
Additions	7,526	133	12,647	–	20,306
Arising on acquisition of subsidiaries ( <i>see note 40</i> )	8,561	79	12,662	170	21,472
Disposals/written off	(154)	(507)	(5,437)	–	(6,098)
At 31 December 2006	50,421	21,440	46,873	2,009	120,743
Additions	765	514	5,799	–	7,078
Arising on disposal of subsidiaries ( <i>see note 41</i> )	(3,783)	(497)	(21,115)	(170)	(25,565)
At 31 July 2007	47,403	21,457	31,557	1,839	102,256
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	14,254	12,776	18,813	839	46,682
Provided for the year	7,052	4,937	3,237	680	15,906
Eliminated on disposals/ written off	–	–	(8)	–	(8)
At 31 December 2004	21,306	17,713	22,042	1,519	62,580
Provided for the year	5,548	3,030	1,834	194	10,606
Eliminated on disposals/ written off	–	(8)	–	(333)	(341)
At 31 December 2005	26,854	20,735	23,876	1,380	72,845
Provided for the year	4,841	572	2,594	166	8,173
Eliminated on disposals/ written off	(56)	(507)	(5,432)	–	(5,995)
At 31 December 2006	31,639	20,800	21,038	1,546	75,023
Provided for the period	3,821	226	2,840	67	6,954
Eliminated on disposals of subsidiaries ( <i>see note 41</i> )	(1,141)	(80)	(2,232)	(13)	(3,466)
At 31 July 2007	34,319	20,946	21,646	1,600	78,511
CARRYING VALUES					
At 31 December 2004	12,985	3,894	3,642	204	20,725
At 31 December 2005	7,634	1,000	3,125	459	12,218
At 31 December 2006	18,782	640	25,835	463	45,720
At 31 July 2007	13,084	511	9,911	239	23,745

As at 31 December 2004, the carrying values of furniture and fixtures included amounts of approximately HK\$142,000 in respect of assets held under finance leases. The finance lease obligation was fully settled during the year ended 31 December 2005.

As at 31 December 2005, 2006 and 31 July 2007, the carrying values of motor vehicles included amounts of approximately HK\$389,000, HK\$463,000 and HK\$241,000 respectively in respect of assets held under finance leases. No carrying value of motor vehicles was held under finance lease at 31 December 2004.

The carrying values of property and equipment included fully depreciated property and equipment with cost amounting to HK\$10,343,000, HK\$49,981,000, HK\$48,771,000 and HK\$69,088,000 as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively.

	<b>Furniture and fixtures</b>	<b>Computer and equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At 1 January 2004, 31 December 2004 and 31 December 2005	140	4,585	4,725
Written off	(140)	(4,585)	(4,725)
	<hr/>	<hr/>	<hr/>
At 31 December 2006 and 31 July 2007	–	–	–
	<hr/>	<hr/>	<hr/>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>			
At 1 January 2004	94	4,544	4,638
Provided for the year	28	25	53
	<hr/>	<hr/>	<hr/>
At 31 December 2004	122	4,569	4,691
Provided for the year	18	16	34
	<hr/>	<hr/>	<hr/>
At 31 December 2005	140	4,585	4,725
Eliminated on written off	(140)	(4,585)	(4,725)
	<hr/>	<hr/>	<hr/>
At 31 December 2006 and 31 July 2007	–	–	–
	<hr/>	<hr/>	<hr/>
<b>CARRYING VALUES</b>			
At 31 December 2004	<u>18</u>	<u>16</u>	<u>34</u>
At 31 December 2005, 2006 and 31 July 2007	<u>–</u>	<u>–</u>	<u>–</u>

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

Leasehold improvements	The shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	3 to 5 years
Motor vehicles	3 years

#### 18. Investment property

**THE GROUP**  
HK\$'000

FAIR VALUE

At 1 January 2004, 31 December 2004 and 31 December 2005	–
Acquired on acquisition of a subsidiary ( <i>see note 40(b)</i> )	5,000
	<hr/>
At 31 December 2006 and 31 July 2007	5,000
	<hr/> <hr/>

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 classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2006 and 31 July 2007 was arrived at on the basis of a valuation carried out at that date by Knight Frank Petty Limited, independent qualified professional valuer not connected with the Group. Knight Frank Petty Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

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

## 19. Goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1 January 2004	5,903
Arising on additional payment for acquisition of a subsidiary ( <i>Note</i> )	1,400
	<hr/>
At 31 December 2004 and 2005	7,303
Arising on acquisition of subsidiaries ( <i>see note 40(a)</i> )	109,945
	<hr/>
At 31 December 2006	117,248
Arising on disposal of subsidiaries ( <i>see note 41</i> )	(109,945)
	<hr/>
At 31 July 2007	7,303
	<hr/>
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1 January 2004, 31 December 2004, 2005, 2006 and 31 July 2007	–
	<hr/>
<b>CARRYING VALUES</b>	
At 31 December 2004 and 2005	7,303
	<hr/> <hr/>
At 31 December 2006	117,248
	<hr/> <hr/>
At 31 July 2007	7,303
	<hr/> <hr/>

*Note:* Pursuant to the sale and purchase agreement relating to the sale and purchase of 700,000 shares in the issued capital of CASH Frederick Taylor entered into between the Group and the vendors dated 1 July 2003, the Group undertook to pay the vendors an additional amount of HK\$1,400,000 if certain conditions could be fulfilled in 2004. As these conditions were fulfilled, the Group paid a total amount of HK\$1,400,000 to the vendors. Accordingly, the consideration for the acquisition of CASH Frederick Taylor was adjusted.

Particulars regarding impairment testing on goodwill are disclosed in note 21.

## 20. Intangible assets

	Trading rights HK\$'000	Club membership HK\$'000	Online game and related intellectual property HK\$'000	Domain name HK\$'000	Total HK\$'000
THE GROUP COST					
At 1 January 2004 and 31 December 2004	10,922	–	–	–	10,922
Reclassified from other assets	–	1,970	–	–	1,970
At 31 December 2005	10,922	1,970	–	–	12,892
Arising on acquisition of subsidiaries ( <i>see note 40</i> )	–	3,090	16,390	5,460	24,940
Additions	–	–	171	–	171
At 31 December 2006	10,922	5,060	16,561	5,460	38,003
Disposals	–	(1,760)	–	–	(1,760)
Arising on disposal of subsidiaries ( <i>see note 41</i> )	–	–	(16,561)	(5,460)	(22,021)
At 31 July 2007	10,922	3,300	–	–	14,222
AMORTISATION AND IMPAIRMENT					
At 1 January 2004 and 31 December 2004 and 2005	–	–	–	–	–
Charge for the year	–	–	4,131	–	4,131
At 31 December 2006	–	–	4,131	–	4,131
Charge for the period	–	–	1,731	–	1,731
Elimination on disposal of subsidiaries ( <i>see note 41</i> )	–	–	(5,862)	–	(5,862)
At 31 July 2007	–	–	–	–	–
CARRYING VALUES					
At 31 December 2004	10,922	–	–	–	10,922
At 31 December 2005	10,922	1,970	–	–	12,892
At 31 December 2006	10,922	5,060	12,430	5,460	33,872
At 31 July 2007	10,922	3,300	–	–	14,222

Intangible assets amounting to HK\$10,922,000 represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and Hong Kong Futures Exchange at 31 December 2004, 2005 and 2006 and 31 July 2007 respectively. The Group assessed the useful lives of the trading rights and concluded that the trading rights have no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group and regarded the trading rights as having indefinite useful lives. Particulars regarding impairment testing on the trading rights are disclosed in note 21.

Intangible assets amounting to HK\$1,970,000, HK\$5,060,000 and HK\$3,300,000 represent club memberships at 31 December 2005, 2006 and 31 July 2007 respectively. Until 31 December 2004, the club memberships were classified as other assets. On 1 January 2005, in the opinion of the directors club memberships were reclassified to intangible assets with indefinite useful life.

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. At 31 December 2005, 2006 and 31 July 2007, management of the Group determines that there was no impairment of the club membership since the recoverable amount of the club memberships exceeds its carrying amount.

At 31 December 2006, intangible assets of online game related intellectual property with carrying value of HK\$138,000 represent internally generated online game development cost. This intangible asset has definite useful life and is amortised on a straight-line basis over three years.

At 31 December 2006, intangible assets of online game related intellectual property amounting to HK\$12,292,000 represent online game development cost and licensing fee, website development cost and software technology copyrights arising from acquisition of online game business in the PRC as mentioned in note 40(a)(i). These intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over four years.

For the purpose of impairment testing on online game related intellectual property, the recoverable amount 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 four-year period, and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the past performance and management's expectations for the market development. The value in use at 31 December 2006 has been supported by valuation carried out at that date by B. I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of online game related intellectual property since the recoverable amount exceeds its carrying value.

At 31 December 2006, intangible assets amounting to HK\$5,460,000 represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 40(a)(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by the 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 2006 has been supported by valuation carried out at that date by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

## 21. Impairment testing on goodwill and trading rights

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 19 and 20 respectively have been allocated to three individual cash generating units (CGUs) respectively, including two subsidiaries in broking, one subsidiary in corporate finance and the newly acquired online game business. The carrying amounts of goodwill and trading rights as at 31 December 2004, 2005, 2006 and 31 July 2007 allocated to these units are as follows:

	Goodwill				Trading rights			
	At 31 December			At 31 July	At 31 December			At 31 July
	2004	2005	2006	2007	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Broking – Broking of securities	-	-	-	-	10,922	10,922	10,922	10,922
Broking – Mutual funds and insurance-linked investment products	3,457	3,457	3,457	3,457	-	-	-	-
Corporate finance	3,846	3,846	3,846	3,846	-	-	-	-
Online game services	-	-	109,945	-	-	-	-	-
	<u>7,303</u>	<u>7,303</u>	<u>117,248</u>	<u>7,303</u>	<u>10,922</u>	<u>10,922</u>	<u>10,922</u>	<u>10,922</u>

During the Relevant Periods, management of the Group determines that there is no impairment of any of its CGUs containing goodwill or trading rights.

The recoverable amounts of the CGUs of broking and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and discount rate of 7.75%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

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 four-year period, and discount rate of 15%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the CGU's past performance and management's expectations for the market development. There is no impairment of goodwill since the recoverable amount of the above CGU exceeds its carrying value.

## 22. Other assets

	THE GROUP			
	At 31 December			At
	2004	2005	2006	31 July
	HK\$'000	HK\$'000	HK\$'000	2007 HK\$'000
Club memberships	1,970	–	–	–
Statutory and other deposits	6,617	7,564	16,241	9,866
Prepayment for advertising and telecommunication services	5,600	2,800	–	–
<i>Less:</i> Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments deposits and other receivables	(2,800)	(2,800)	–	–
	<u>11,387</u>	<u>7,564</u>	<u>16,241</u>	<u>9,866</u>

On 1 January 2005, club memberships amounting to HK\$1,970,000 was reclassified as intangible assets with indefinite useful life as set out in note 20.

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

## 23. Loan receivables

	THE GROUP			
	At 31 December			At
	2004	2005	2006	31 July
	HK\$'000	HK\$'000	HK\$'000	2007 HK\$'000
Variable-rate loan receivables				
denominated in Hong Kong dollar	102,757	76,684	45,900	48,865
<i>Less:</i> Allowance for bad and doubtful debts	(64,406)	(38,136)	(26,570)	(25,208)
	<u>38,351</u>	<u>38,548</u>	<u>19,330</u>	<u>23,657</u>
Carrying amount analysed for reporting purposes:				
Current assets (receivable within 12 months from the balance sheet date)	19,651	38,426	19,227	23,568
Non-current assets (receivable after 12 months from the balance sheet date)	18,700	122	103	89
	<u>38,351</u>	<u>38,548</u>	<u>19,330</u>	<u>23,657</u>

Interest rates underlying the loan receivables are variable ranging from 5.0% to 7.5%, 5.3% to 7.8%, 7.8% to 8.0% and 7.8% to 8.0% as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively.

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 and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year/period	65,758	64,406	38,136	26,570
Amounts written off during the year/period	(828)	(26,270)	(11,566)	(1,362)
Decrease during the year	(524)	–	–	–
	<u>64,406</u>	<u>38,136</u>	<u>26,570</u>	<u>25,208</u>

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

Included in the Group's loan receivables are debtors, with a carrying amount of HK\$8,018,000, HK\$8,637,000, HK\$14,540,000 and HK\$16,933,000 on 31 December 2004, 2005, 2006 and 31 July 2007 respectively which are past due at the reporting date for which the directors of the Company considered them as recoverable since the amounts are either fully secured by marketable securities pledged by the debtors or subsequently settled and thus no provision is considered necessary.

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

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	4,268	4,268	4,268	8,779
31 - 60 days	–	–	–	150
61 - 90 days	–	–	–	–
Over 90 days	3,750	4,369	10,272	8,004
	<u>8,018</u>	<u>8,637</u>	<u>14,540</u>	<u>16,933</u>

The loan receivables with a carrying amount of HK\$30,333,000, HK\$29,911,000, HK\$4,790,000 and HK\$6,724,000 on 31 December 2004, 2005, 2006 and 31 July 2007 respectively which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

Loan receivables with an aggregate carrying value of approximately HK\$22,968,000, HK\$25,756,000, HK\$4,968,000 and HK\$8,348,000 are secured by pledged marketable securities at fair values of HK\$30,463,000, HK\$30,173,000, HK\$9,776,000 and HK\$133,221,000 respectively as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively.

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

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	19,651	38,426	19,227	23,568
In more than one year but not more than two years	18,700	23	23	24
In more than two years but not more than three years	–	25	25	26
In more than three years but not more than four years	–	26	27	28
In more than four years but not more than five years	–	28	28	11
In more than five years	–	20	–	–
	<u>38,351</u>	<u>38,548</u>	<u>19,330</u>	<u>23,657</u>

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

#### 24. Investments in subsidiaries

	<b>THE COMPANY</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	744,324	749,279	753,800	762,671
Impairment loss recognised	(283,000)	(283,000)	(283,000)	(283,000)
	<u>461,324</u>	<u>466,279</u>	<u>470,800</u>	<u>479,671</u>

## 25. Deposits for acquisition of subsidiaries

## THE GROUP AND THE COMPANY

Pursuant to the circular of the Company dated 30 November 2005, the Group underwent several fund raising transactions and a major acquisition transaction of Netfield Group.

Under the terms of acquisition, deposit of HK\$55,000,000 was paid as well as related costs of approximately HK\$1,095,000 were incurred before 31 December 2005. This sum is presented as "Deposits for acquisition of subsidiaries" as at 31 December 2005.

The acquisition was completed on 10 January 2006.

## 26. Interests in associates

	THE GROUP			At
	At 31 December			31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of investments in an associate				
Unlisted shares	–	–	–	28,860
Share of post-acquisition loss	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,860</u>
Loan to an associate ( <i>Note</i> )	–	–	–	10,296
	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,296</u>

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

As at 31 December 2006 and 31 July 2007, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of	Proportion	Principal activity
					nominal value of issued capital/ registered capital by the Group	of voting held power held	
					%	%	
RACCA Capital Inc	Incorporated	BVI 24 April 2006	Hong Kong	Ordinary	33	33	Inactive
RACCA Capital Ltd.	Incorporated	Hong Kong 17 May 2006	Hong Kong	Ordinary	33	33	Introducing agent
China Able Limited	Incorporated	BVI 23 May 2007	PRC	Ordinary	33	33	Property investment

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

	<b>At 31 December 2006 HK\$'000</b>	<b>At 31 July 2007 HK\$'000</b>
Total assets	1,776	118,109
Total liabilities	(3,318)	(38,982)
Net (liabilities) assets	<u>(1,542)</u>	<u>79,127</u>
Group's share of net assets of associates	<u>–</u>	<u>28,725</u>
	<b>Year ended 31 December 2006 HK\$'000</b>	<b>Seven months ended 31 July 2007 HK\$'000</b>
Revenue	<u>600</u>	<u>–</u>
Loss for the year/period	<u>(1,542)</u>	<u>(4,174)</u>
Group's share of loss of associates for the year/period	<u>–</u>	<u>–</u>

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year/period and cumulatively, are as follows:

	<b>Year ended 31 December 2006 HK\$'000</b>	<b>Seven months ended 31 July 2007 HK\$'000</b>
Unrecognised share of losses of associates for the year/period	<u>509</u>	<u>1,377</u>
	<b>At 31 December 2006 HK\$'000</b>	<b>At 31 July 2007 HK\$'000</b>
Accumulated unrecognised share of losses of associates	<u>509</u>	<u>1,886</u>

**27. Inventories**

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At 31 July</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Consumables:				
Online game auxiliary products (at cost)	<u>–</u>	<u>–</u>	<u>674</u>	<u>–</u>

**28. Other financial assets and liabilities**

**THE GROUP AND THE COMPANY**

*Amounts receivable on disposal of subsidiaries*

The amount represents partial consideration receivable and debt receivable from the purchaser with respect to the disposal of subsidiaries on 31 May 2007.

Pursuant to the sale and purchase agreement entered into between the subsidiary, Vantage Giant Limited and Celestial Investment Group Limited, immediate holding company of the Company, on 9 January 2007, the amount is repayable on 1 June 2009, carries interest at Hong Kong Prime Rate and unsecured. Celestial Investment Group Limited has the right to repay early part or all of the amount at any time prior to 1 June 2009.

*Amounts due from ultimate holding company, associates and fellow subsidiaries as well as amounts due from and to subsidiaries*

The amounts are non-interest bearing, unsecured, repayable on demand and in respect of that are of non-trade nature have been fully settled subsequent to 31 July 2007.

**Bank balances – trust and segregated accounts**

From the Group's ordinary business, it 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.

**Loan from minority shareholder**

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

**29. Account receivables**

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Account receivables arising from the business of dealing in securities and equity options:				
Clearing houses, brokers and dealers	16,168	29,894	125,450	49,776
Cash clients	86,935	94,958	112,334	270,401
Margin clients	183,287	270,707	443,524	610,583
Account receivables arising from the business of dealing in futures and options:				
Clearing houses, brokers and dealers	72,989	70,662	83,847	99,831
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,302	2,275	3,479	4,322
Account receivables arising from the business of provision of corporate finance services	510	1,032	372	3,604
Account receivables arising from the business of provision of online game services	–	–	12,715	–
	<u>363,191</u>	<u>469,528</u>	<u>781,721</u>	<u>1,038,517</u>

Account receivables at 31 December 2004, 2005, 2006 and 31 July 2007 are netted off by allowance for bad and doubtful debts of HK\$28,572,000, HK\$27,872,000, HK\$20,086,000 and HK\$9,628,000 respectively.

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 and the past collection history of each client.

Movement in the allowance for bad and doubtful debts:

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at the beginning of the year/period	30,554	28,572	27,872	20,086
Amounts written off during the year/period	(1,367)	(896)	(7,886)	(10,458)
(Decrease) increase during the year/period	(615)	196	100	–
	<u>28,572</u>	<u>27,872</u>	<u>20,086</u>	<u>9,628</u>

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

Included in the Group's account receivables are debtors, with a carrying amount of HK\$9,385,000, HK\$11,969,000, HK\$30,666,000 and HK\$78,265,000 on 31 December 2004, 2005, 2006 and 31 July 2007 respectively which are past due at the reporting date for which the Group has not provided allowance as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable.

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

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	8,755	11,035	24,949	76,070
31 - 60 days	189	436	2,387	1,395
61 - 90 days	163	5	1,690	79
Over 90 days	278	493	1,640	721
	<u>9,385</u>	<u>11,969</u>	<u>30,666</u>	<u>78,265</u>

The account receivables with a carrying amount of HK\$353,806,000, HK\$457,559,000, HK\$751,055,000 and HK\$960,252,000 on 31 December 2004, 2005, 2006 and 31 July 2007 respectively which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

Loans to margin clients are secured by clients' pledged securities at fair values of HK\$482,768,000, HK\$615,801,000, HK\$731,854,000 and HK\$1,827,557,000 as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively. The loan 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.

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

In respect of the 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 corporate finance services and online game services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	3,182	2,373	10,849	5,731
31 – 60 days	189	436	2,387	1,395
61 – 90 days	163	5	1,690	79
Over 90 days	278	493	1,640	721
	<u>3,812</u>	<u>3,307</u>	<u>16,566</u>	<u>7,926</u>

Included in account receivables from margin clients arising from the business of dealing in securities are amounts due from Connected Clients, the details are as follows:

Name	Balance at 1 January <i>HK\$'000</i>	Balance at 31 July <i>HK\$'000</i>	Balance at 31 December <i>HK\$'000</i>	Maximum amount outstanding during the year/period <i>HK\$'000</i>	Market value
					of pledged securities at fair value at 31 December/ 31 July <i>HK\$'000</i>
<b>Directors of both the Company and CASH</b>					
Mr. Wong Kin Yick Kenneth and associates					
31 December 2004	426	N/A	791	791	2,015
31 December 2005	791	N/A	1,087	1,129	2,265
31 December 2006	1,087	N/A	648	1,720	7,119
31 July 2007	648	1,511	N/A	28,842	7,119
<hr/>					
Mr. Law Ping Wah and associates					
31 December 2004	–	N/A	–	73	–
31 December 2005	–	N/A	–	–	–
31 December 2006	–	N/A	–	345	–
31 July 2007	–	–	N/A	29,489	–
<hr/>					

Name	Balance at 1 January HK\$'000	Balance at 31 July HK\$'000	Balance at 31 December HK\$'000	Maximum amount outstanding during the year/period HK\$'000	Market value of pledged securities at fair value at 31 December/ 31 July
					HK\$'000
<b>Director of the Company</b>					
Mr. Cheng Man Pan and associates					
31 December 2004	–	N/A	–	90	–
31 December 2005	–	N/A	–	455	–
31 December 2006	–	N/A	–	274	–
31 July 2007	–	511	N/A	23,349	1,630
<b>Director of CASH</b>					
Mr. Lin Che Chu George and associates					
31 December 2004	–	N/A	–	–	–
31 December 2005	–	N/A	–	–	–
31 December 2006	–	N/A	–	–	–
31 July 2007	–	–	N/A	29,222	–
<b>Subsidiaries of CASH</b>					
Kawoo Finance Limited					
31 December 2004	428	N/A	1,348	4,042	3,647
31 December 2005	1,348	N/A	–	1,260	–
31 December 2006	–	N/A	–	31,014	–
31 July 2007	–	–	N/A	29,146	–
E-Tailer Holding Limited					
31 December 2004	–	N/A	–	5,328	–
31 December 2005	–	N/A	–	4,497	–
31 December 2006	–	N/A	–	27	–
31 July 2007	–	–	N/A	HK\$182 only	–
<b>Substantial shareholder of CASH</b>					
Cash Guardian Limited					
31 December 2004	9,732	N/A	10,178	10,590	14,324
31 December 2005	10,178	N/A	11,569	11,569	14,346
31 December 2006	11,569	N/A	–	12,720	16,983
31 July 2007	–	–	N/A	–	–
Mr. Kwan Pak Hoo Bankee and associates					
31 December 2004	–	N/A	–	–	–
31 December 2005	–	N/A	–	–	–
31 December 2006	–	N/A	–	–	–
31 July 2007	–	–	N/A	29,021	–
<b>Substantial shareholder of the Company</b>					
ARTAR and associates					
31 December 2004	–	N/A	–	–	–
31 December 2005	–	N/A	–	–	–
31 December 2006	–	N/A	–	–	–
31 July 2007	–	–	N/A	2,060,400	–

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

Included in account receivables arising from the business of provision of corporate finance services as at 31 July 2007 is an amount due from ultimate holding company, CASH, in which a director of the Company, Kwan Pak Hoo Bankee, has a controlling interest. Details of the amount due from the entity are as follows:

	<b>Balance at 1 January 2007 HK\$'000</b>	<b>Balance at 31 July 2007 HK\$'000</b>	<b>Maximum amount outstanding during the period HK\$'000</b>
Amount due from CASH	–	2,932	2,932

No such balance existed as at 31 December 2004, 2005 and 2006.

### 30. Investments held for trading

Investments held for trading include:

	<b>THE GROUP</b>			<b>At</b>
	<b>At 31 December</b>			<b>31 July</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong	47,032	42,472	54,317	22,688
Investment funds	–	–	–	1,445
	<u>47,032</u>	<u>42,472</u>	<u>54,317</u>	<u>24,133</u>

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

The fair value of the investment fund is determined based on the net asset as provided by the trustee of the fund.

## 31. Derivative financial instrument

	THE GROUP			
	At 31 December			At
	2004	2005	2006	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i> <i>HK\$'000</i>
Interest rate swap	–	16	–	–

Major terms of the interest rate swap at 31 December 2005 are as follows:

Notional amount	Maturity	Swaps
HK\$15,000,000	25 August 2006	Pay 3% and receive HKD 3-month HIBOR

The above derivative financial instrument is measured at fair value at each balance sheet date. Its fair value is determined based on the agreed interest rate with authorised institutions for equivalent instrument at the balance sheet date. It was matured on 25 August 2006.

## 32. Bank deposits under conditions

	THE GROUP			
	At 31 December			At
	2004	2005	2006	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2007</i> <i>HK\$'000</i>
Other bank deposits ( <i>Note (a)</i> )	16,018	16,207	16,685	16,908
Pledged bank deposits ( <i>Note (b)</i> )	764	918	11,128	11,374
	<u>16,782</u>	<u>17,125</u>	<u>27,813</u>	<u>28,282</u>

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

*Notes:*

- (a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15,000,000 with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is withdrawn.
- (b) The Group's bank deposits of HK\$764,000, HK\$918,000, HK\$11,128,000 and HK\$11,374,000 as at 31 December 2004, 2005, 2006 and 31 July 2007 respectively were pledged to secure the general banking facilities granted by a bank. The bank deposits will mature when the banking facilities are withdrawn.

## 33. Account payables

	THE GROUP			At
	At 31 December			31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Account payables arising from the business of dealing in securities and equity options:				
Cash clients	353,113	347,961	679,498	995,062
Margin clients	64,168	77,148	106,132	169,871
Clearing houses, brokers and dealers	39,875	–	–	36,775
Account payables to clients arising from the business of dealing in futures and options	156,151	127,446	142,500	153,964
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	3,599	3,010	2,798	6,689
Account payables arising from the online game services	–	–	937	–
	<u>616,906</u>	<u>555,565</u>	<u>931,865</u>	<u>1,362,361</u>

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

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, 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 exchange 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\$433,156,000 and HK\$352,902,000, HK\$574,577,000 and HK\$879,802,000 at 31 December 2004, 2005, 2006 and 31 July 2007 respectively were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

## 34. Obligations under finance leases

It is the Group's policy to lease certain of its furniture and fixtures, and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.4% to 6%. No arrangements have been entered into for contingent rental payments.

	THE GROUP							
	Minimum lease payments				Present value of minimum lease payments			
	At 31 December		At 31 July		At 31 December		At 31 July	
	2004	2005	2006	2007	2004	2005	2006	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Amount payable under finance leases								
Within one year	64	164	243	68	63	150	215	67
In more than one year but not more than two years	–	177	119	–	–	159	115	–
	64	341	362	68	63	309	330	67
Less: future finance charges	(1)	(32)	(32)	(1)	–	–	–	–
Present value of lease obligations	<u>63</u>	<u>309</u>	<u>330</u>	<u>67</u>	63	309	330	67
Less: Amount due for settlement within 12 months (shown under current liabilities)					(63)	(150)	(215)	(67)
Amount due for settlement after 12 months					<u>–</u>	<u>159</u>	<u>115</u>	<u>–</u>

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

## 35. Bank borrowings

	THE GROUP			
	At 31 December			At 31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts, secured	18,155	29,737	89,347	64,586
Bank loans, secured	<u>78,000</u>	<u>142,000</u>	<u>190,421</u>	<u>345,000</u>
	<u>96,155</u>	<u>171,737</u>	<u>279,768</u>	<u>409,586</u>

The maturity profile of the above loans and overdrafts is as follows:

	THE GROUP			At
	At 31 December			31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	96,155	171,737	278,521	409,586
More than one year but not exceeding two years	–	–	1,247	–
	<u>96,155</u>	<u>171,737</u>	<u>279,768</u>	<u>409,586</u>
<i>Less:</i> Amount due within one year shown under current liabilities	<u>(96,155)</u>	<u>(171,737)</u>	<u>(278,521)</u>	<u>(409,586)</u>
Amount due after one year under non-current liabilities	<u>–</u>	<u>–</u>	<u>1,247</u>	<u>–</u>

At 31 December 2004, 2005, 2006 and 31 July 2007, the Group's bank borrowings of HK\$96,155,000, HK\$171,737,000, HK\$277,347,000 and HK\$409,586,000 respectively used to finance the financing business of the Group were secured by:

- (a) corporate guarantees from the Company; and
- (b) marketable securities of the Group's clients (with client's consent).

The bank loan amounting to HK\$2,421,000 as at 31 December 2006 was secured by personal guarantee from 鍾明晃 (translated as Chung Ming Huang), a director of a subsidiary disposed in 2007, 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15,000,000 with a bank as a condition precedent to an overdraft facility granted by the bank (*see note 32*).

Bank overdrafts amounting to HK\$18,155,000, HK\$29,737,000, HK\$89,347,000 and HK\$64,586,000 at 31 December 2004, 2005, 2006 and 31 July 2007 respectively carried interest at either HIBOR plus a spread or Prime rate plus a spread. At 31 December 2004, 2005, 2006 and 31 July 2007, bank borrowings amounting to HK\$78,000,000, HK\$142,000,000, HK\$188,000,000 and HK\$345,000,000 were at variable-rate borrowings which carry interest at either HIBOR plus a spread or prime rate plus a spread. In addition, at 31 December 2006, bank loan amounting to HK\$2,421,000 was at fixed rate borrowing of 6%.

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

As at 31 December 2004, 2005, 2006 and 31 July 2007, the Group had undrawn borrowing facility amounting to HK\$429,500,000, HK\$675,500,000, HK\$1,642,653,000 and HK\$1,440,444,000 respectively with floating rate and expiring within one year.

## 36. Share capital

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
<i>Authorised:</i>			
At 1 January 2004		500,000	50,000
Increase during the year	<i>(a)</i>	1,500,000	150,000
At 31 December 2004 and 1 January 2005		2,000,000	200,000
Increase during the year	<i>(a)</i>	1,000,000	100,000
At 31 December 2005, 2006 and 31 July 2007		3,000,000	300,000
<i>Issued and fully paid:</i>			
At 1 January 2004		377,278	37,728
Issue of shares due to rights issue	<i>(b)</i>	377,278	37,728
At 31 December 2004 and 1 January 2005		754,556	75,456
Issue of subscription shares	<i>(c)</i>	132,000	13,200
Exercise of share options	<i>(d)</i>	13,325	1,332
Issue of top up shares	<i>(c)</i>	145,000	14,500
At 31 December 2005 and 1 January 2006		1,044,881	104,488
Issue of placing shares	<i>(c)</i>	155,000	15,500
Issue of conversion shares	<i>(e)</i>	60,000	6,000
Issue of subscription shares	<i>(c)</i>	120,000	12,000
Exercise of share options	<i>(d)</i>	2,170	217
At 31 December 2006 and 1 January 2007		1,382,051	138,205
Exercise of share options	<i>(d)</i>	63,700	6,370
At 31 July 2007		1,445,751	144,575

Notes:

**(a) Increase of authorised share capital**

Pursuant to an ordinary resolution passed on 23 April 2004, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 shares of HK\$0.10 each.

Pursuant to an ordinary resolution passed on 20 September 2004, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.10 each.

Pursuant to an ordinary resolution passed on 20 December 2005, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.10 each.

**(b) Rights issue**

On 17 May 2004, 377,278,224 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.27 each. The gross proceeds of approximately HK\$101,865,000 were used for expanding share margin financing portfolio and facilitated corresponding growth in its securities brokerage business in line with market development and for general working capital. These shares rank pari passu in all respects with other shares in issue.

**(c) Issue of new shares**

Pursuant to the subscription agreement dated 16 August 2004, a total of 132,000,000 shares of HK\$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), a shareholder of the Company, at the price of HK\$0.27 each on 15 September 2005. The gross proceeds of HK\$35,640,000 were used to strengthen the funding support and capital base of the Company. These shares rank pari passu in all respects with other shares in issue.

Pursuant to the top up agreement dated 22 September 2005, a total of 145,000,000 top up shares of HK\$0.10 each were issued to CIGL at the price of HK\$0.40 each on 5 October 2005. The gross proceeds of HK\$58,000,000 were used to pay part of the consideration of the acquisition of an online game business as mentioned in note 40(a)(i). These shares rank pari passu in all respects with other shares in issue.

On 10 January 2006, 155,000,000 placing shares of HK\$0.10 each were issued at a placing price of HK\$0.40 each to independent third parties. On the same date, 120,000,000 subscription shares of HK\$0.10 each were issued to CIGL at a price of HK\$0.40 per share. The gross proceeds of the two transactions of HK\$62,000,000 and HK\$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 40(a)(i). These shares rank pari passu in all respects with other shares in issue.

**(d) Exercise of share options**

In September 2005, 650,000 share options and 12,675,000 share options respectively were exercised at an exercise price of HK\$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK\$0.10 each on 16 September 2005 and 26 September 2005 respectively for a total consideration (before expenses) of HK\$4,530,000. These shares rank pari passu in all respects with other shares in issue.

In January 2006, 520,000 share options and 650,000 share options respectively were exercised at an exercise price of HK\$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK\$0.10 each on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK\$398,000. These shares rank pari passu in all respects with other shares in issue.

In November 2006, 1,000,000 share options were exercised at an exercise price of HK\$0.296 each, resulting in the issue of 1,000,000 shares of HK\$0.10 each on 14 November 2006 for a total consideration (before expenses) of HK\$296,000. These shares rank pari passu in all respects with other shares in issue.

In April 2007, 1,000,000 share options were exercised at an exercise price of HK\$0.296 per share, resulting in the issue of 1,000,000 shares of HK\$0.10 each on 23 April 2007 for a total consideration (before expenses) HK\$296,000. These shares rank pari passu in all respect with other shares in issue.

In July 2007, 8,600,000 share options, 40,100,000 share options, 5,000,000 share options and 9,000,000 share options respectively were exercised at an exercise price of HK\$0.296 per share, resulting in the issue of 8,600,000 shares, 40,100,000 shares, 5,000,000 shares and 9,000,000 shares of HK\$0.10 each on 3 July 2007, 4 July 2007, 9 July 2007 and 27 July 2007 respectively for a total consideration (before expenses) of HK\$18,559,000. These shares rank pari passu in all respects with other shares in issue.

**(e) Conversion of convertible loan note**

On 18 January 2006, convertible loan note amounting to HK\$16,200,000 was converted into 60,000,000 ordinary shares of the Company at a conversion price of HK\$0.27 per share. These shares rank pari passu in all respects with other shares in issue.

## 37. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible loan note equity reserve HK\$'000	Share-based payment reserve HK\$'000	(Accumulated losses) retained earnings HK\$'000	Total HK\$'000
THE COMPANY						
At 1 January 2004, as originally stated	–	68,669	–	–	(5,016)	63,653
Effects of changes in accounting policies	–	–	1,764	461	(1,190)	1,035
At 1 January 2004, as restated	–	68,669	1,764	461	(6,206)	64,688
Loss for the year, representing total recognised expense for the year	–	–	–	–	(1,156)	(1,156)
Recognition of employee share option benefits	–	–	–	219	–	219
Recognition of equity component of convertible loan note	–	–	771	–	–	771
Arising from partial repayment of convertible loan note	–	–	(1,764)	–	1,295	(469)
Issue of rights shares	64,137	–	–	–	–	64,137
Transaction costs attributable to issue of rights shares	(2,181)	–	–	–	–	(2,181)
At 31 December 2004	61,956	68,669	771	680	(6,067)	126,009
Profit for the year, representing total recognised income for the year	–	–	–	–	3,870	3,870
Recognition of employee share option benefits	–	–	–	203	–	203
Arising from partial repayment of convertible loan note	–	–	(190)	–	151	(39)
2004 final dividend paid	–	–	–	–	(7,546)	(7,546)
Issue of new shares	69,138	–	–	–	–	69,138
Transaction costs attributable to issue of new shares	(300)	–	–	–	–	(300)
Amount transferred to set off accumulated losses	–	(12,827)	–	–	12,827	–
At 31 December 2005	130,794	55,842	581	883	3,235	191,335
Profit for the year, representing total recognised income for the year	–	–	–	–	2,160	2,160
Recognition of employee share option benefits	–	–	–	1,613	–	1,613
Arising from conversion of convertible loan note	10,200	–	(308)	–	173	10,065
Arising from early repayment of convertible loan note	–	–	(273)	–	(79)	(352)
Issue of new shares	82,976	–	–	–	–	82,976
2006 interim dividend paid	–	–	–	–	(41,462)	(41,462)
Transaction costs attributable to issue of new shares	(3,000)	–	–	–	–	(3,000)
Amount transferred to set off accumulated losses	–	(45,000)	–	–	45,000	–
At 31 December 2006	220,970	10,842	–	2,496	9,027	243,335
Profit for the period, representing total recognised income for the period	–	–	–	–	1,230	1,230
Issue of new shares	12,485	–	–	–	–	12,485
2006 final dividend paid	–	–	–	–	(27,660)	(27,660)
Amount transferred from share premium to contributed surplus	(100,000)	100,000	–	–	–	–
Amount transferred to set off accumulated losses	–	(28,000)	–	–	28,000	–
At 31 July 2007	133,455	82,842	–	2,496	10,597	229,390

**38. Convertible loan note****THE GROUP AND THE COMPANY**

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

During the year ended 31 December 2005, the Company had made partial repayment of the convertible loan note in a total amount of HK\$10,000,000. On 18 January 2006, ARTAR had partially converted the convertible loan note in the sum of HK\$16,200,000 at the conversion price of HK\$0.27 per share for a total of 60,000,000 shares of HK\$0.10 each in the Company. On 1 June 2006 and 28 June 2006, the Company has made partial repayments of convertible loan note in an amount of HK\$8,000,000 and HK\$6,300,000 respectively. As at 28 June 2006, the convertible loan note was fully repaid. At 31 December 2004 and 2005, the outstanding principal amount of the convertible loan note were HK\$40,500,000 and HK\$30,500,000 convertible into a total number of 150,000,000 and 112,962,962 shares respectively at the initial conversion price of HK\$0.27 each.

The convertible loan note contains three components, embedded derivative for early redemption right, liability and equity elements. The directors of the Company had assessed the fair values of the early redemption right and considered the fair values are insignificant for both notes. Upon the application of HKAS 32 “Financial instruments: Disclosure and Presentation”, the convertible loan note was split between the liability (including embedded derivative for early redemption) and equity elements, on a retrospective basis. The equity element is presented in equity heading “convertible loan note equity reserve”. The effective interest rate of the liability component is HIBOR plus a spread determined at date of initial recognition.

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

	At 31 December			At 31 July
	2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liability component				
– at issuance/at the beginning of the year/period	39,729	39,834	30,242	–
Interest paid	105	284	59	–
Early partial repayment	–	(9,876)	(14,239)	–
Conversion to ordinary shares	–	–	(16,062)	–
Liability at the end of the year/period	39,834	30,242	–	–
<i>Less:</i> Amount due for settlement within 12 months (shown under current liabilities)	–	(30,242)	–	–
Amount due for settlement after 12 months	<u>39,834</u>	<u>–</u>	<u>–</u>	<u>–</u>

The partial repayment was allocated to the fair value of the liability component as at the date of early redemption determined on the same basis as initial recognition. The difference between the amount of partial repayment allocated to the liability component and the carrying amount of the liability component at that point in time is recognised directly in the income statement. During the years ended 31 December 2005 and 2006, partial repayments of HK\$10,000,000 and HK\$14,300,000 were made respectively and corresponding settlement expenses of HK\$85,000 and settlement income of HK\$291,000 respectively were recognised in the consolidated income statement directly.

The fair value of the liability component of the convertible loan note at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximated its carrying amount.

### 39. Major non-cash transactions

- (a) Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries and associate, including the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During each of the years ended 31 December 2004, 2006 and the seven months ended 31 July 2007, the Group utilised advertising and telecommunication services amounting to approximately HK\$1,786,000 and HK\$4,933,000 and HK\$2,233,000 respectively. During the year ended 31 December 2005, the Group had not utilise any advertising and telecommunication services.
- (b) During the year ended 31 December 2005, the Group entered into finance lease arrangements in respect of property and equipment with a total capital value at the inception of the leases of HK\$466,000.
- (c) During the year ended 31 December 2006, the principal amount of convertible loan note of HK\$16,200,000 was converted into 60,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$0.27 each.

## 40. Acquisition of subsidiaries

## (a) Acquisition of business

## (i) Netfield Group

On 10 January 2006, the Group acquired 100% of the equity interest of Netfield Technology Limited from an independent third party for an aggregate consideration of HK\$110,000,000 and related cost of acquisition of approximately HK\$6,484,000. This acquisition was accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were HK\$102,491,000 and HK\$16,390,000 respectively.

	<i>Note</i>	<b>Acquiree's carrying amount before combination HK\$'000</b>	<b>Fair value adjustment HK\$'000</b>	<b>Fair value HK\$'000</b>
Net liabilities acquired:				
Property and equipment		2,615	–	2,615
Prepayments, deposits and other receivables		1,496	–	1,496
Bank balances and cash		2,300	–	2,300
Accrued liabilities and other payables		(6,349)	–	(6,349)
Amount due to a shareholder		(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property		–	16,390	16,390
Deferred tax liabilities		–	(2,459)	(2,459)
		<u>(24,632)</u>	<u>13,931</u>	<u>(10,701)</u>
Amount due to a shareholder assigned to the Group				24,694
Goodwill				<u>102,491</u>
Cash consideration				<u><u>116,484</u></u>
Total consideration satisfied by:				
Deposit paid	25			56,095
Cash consideration and related costs of the acquisition paid				<u>60,389</u>
				<u><u>116,484</u></u>
Net cash outflow arising on acquisition:				
Cash payment during the year				(60,389)
Bank balances and cash acquired				<u>2,300</u>
				<u><u>(58,089)</u></u>

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

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

(ii) *New Dragon Group Investments Limited and its subsidiary (the "New Dragon Group")*

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

	<b>Acquiree's carrying amount and fair value before combination</b>
	<i>HK\$'000</i>
Net assets acquired:	
Property and equipment	6,554
Domain name	5,460
Inventories	325
Trade receivables	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Trade payables	(12,276)
Other payables and accruals	(11,376)
Obligations under finance lease	(172)
Amount due to shareholder	(5,014)
	<u>1,421</u>
Minority interests	(2,389)
Amount due to shareholder assigned to the Group	5,014
Goodwill	7,454
	<u>11,500</u>
Cash payment (include related costs of the acquisition)	<u>11,500</u>
Total consideration satisfied by:	
Cash consideration paid	9,000
Related costs of the acquisition	2,500
	<u>11,500</u>
Net cash outflow arising on acquisition:	
Total cash payment	(11,500)
Bank balances and cash acquired	5,182
	<u>(6,318)</u>

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

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

If the acquisition discussed in (i) and (ii) above had been completed on 1 January 2006, the Group's total revenue for the year would have been approximately HK\$398,704,000, and profit for the year would have been approximately HK\$35,320,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

*(b) Acquisition of assets and liabilities*

During the year ended 31 December 2006, through the acquisition of equity interest of three subsidiaries of CASH, the Group had, in substance, acquired the following assets and related liabilities, at a total consideration of HK\$852,000.

	<i>HK\$'000</i>
Property and equipment	12,303
Club memberships	3,090
Investment property	5,000
Prepayment	1,589
Bank balances and cash	116
Accounts payable and accruals	(9,141)
Loan payable	(12,105)
	<hr/>
Net assets acquired	852
	<hr/>
Cash consideration	852
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration	(852)
Bank balances and cash	116
	<hr/>
Net cash outflow arising on acquisition of assets and related liabilities	(736)
	<hr/> <hr/>

**41. Disposal of subsidiaries**

As referred to in note 14, on 1 June 2007, the Group discontinued its online game services operations at the time of disposal of Netfield Group. The net assets of Netfield Group at the date of disposal were as follows:

	<b>At 31 May 2007 HK\$'000</b>
Net liabilities disposed of:	
Property and equipment	22,099
Intangible assets in relation to online game related intellectual property	10,699
Domain name	5,460
Inventories	1,350
Prepayments, deposits and other receivables	28,231
Bank balances and cash	84,939
Accrued liabilities and other payables	(59,306)
Amount due to the Company	(102,558)
Deferred revenue	(17,969)
Bank borrowings	(1,941)
Deferred tax liabilities	(1,844)
	<u>(30,840)</u>
Minority interest	(2,131)
Attributable goodwill	109,945
Release of translation reserve	288
	<u>77,262</u>
Gain on disposal	41,701
	<u>118,963</u>
Satisfied by:	
Cash consideration paid	50,000
Deferred consideration	70,000
Related costs of disposal	(1,037)
	<u>118,963</u>
Net cash outflow arising on disposal:	
Cash consideration	48,963
Bank balances and cash disposed of	(84,939)
	<u>(35,976)</u>

The deferred consideration will be settled in cash by the purchaser on or before 1 June 2009.

The impact of Netfield Group on the Group's results and cash flows in the current and prior periods is disclosed in note 14.

**42. Share option schemes***(a) Share option schemes of the Company*

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the 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 CASH and its subsidiaries and associate, including the Group for the Relevant Periods and CASH Retail Management Group Limited ("CRMG") and its subsidiaries ("CRMG Group") (together "CASH Group"); or
  - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group. For CRMG Group, the share option scheme was applicable for the two years ended 31 December 2004 and 2005 and the period from 1 January 2006 to 19 October 2006 (date of cessation of CRMG as an associate of CASH)
- (iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the 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 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 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 the Company and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of the Company 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 the Company.
- (viii) 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.
- (ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

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

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	Number of options																
					outstanding as at 1.1.2004	adjusted on 24.4.2004	reallocated upon change of 24.4.2004	outstanding as at 31.12.2004	lapsed in 2004	exercised in 2005	granted in 2005	lapsed in 2005	outstanding as at 31.12.2005	granted in 2006	exercised in 2006	lapsed in 2006	outstanding as at 31.12.2006	outstanding as at 31.12.2007			
<b>Directors</b>																					
Old Options Scheme	26.3.2001	0.830	1.10.2001 – 30.9.2004	(1) & (2)	8,160,000	2,488,000	(5,304,000)	(5,304,000)	-	-	-	-	-	-	-	-	-	-	-		
New Options Scheme	3.11.2003	0.460	3.11.2003 – 31.10.2004	(1)	7,500,000	2,250,000	(1,025,000)	(8,125,000)	-	-	-	-	-	-	-	-	-	-	-	-	
	2.12.2003	0.540	2.12.2003 – 30.11.2005	(1)	14,700,000	4,410,000	(6,370,000)	12,740,000	-	(12,740,000)	-	-	-	-	-	-	-	-	-	-	
	2.12.2003	0.340	1.6.2004 – 31.5.2006	(1) & (2)	-	-	650,000	650,000	-	-	650,000	-	-	-	-	(650,000)	-	-	-	-	
	6.10.2005	0.380	6.10.2005 – 31.10.2006	(5)	-	-	-	-	-	-	42,000,000	-	-	-	42,000,000	-	-	-	-	-	
	7.7.2006	0.296	7.7.2006 – 31.7.2008	(6)	-	-	-	-	-	-	-	-	-	27,000,000	-	-	-	27,000,000	(3,000,000)	24,000,000	
					30,360,000	9,068,000	(12,649,000)	(13,429,000)	13,390,000	-	42,000,000	(12,740,000)	42,650,000	27,000,000	-	(42,650,000)	27,000,000	(3,000,000)	27,000,000	(3,000,000)	24,000,000
<b>Employees</b>																					
Old Options Scheme	26.3.2001	0.830	1.10.2001 – 30.9.2004	(1) & (2)	2,040,000	612,000	(5,304,000)	(7,956,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
	27.3.2001	0.830	1.10.2001 – 30.9.2004	(1) & (2)	754,800	250,320	(975,120)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3.11.2003	0.460	3.11.2003 – 31.10.2004	(1)	5,000,000	1,500,000	(1,025,000)	(8,125,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
	2.12.2003	0.540	2.12.2003 – 30.11.2005	(1)	4,900,000	1,470,000	(637,000)	(3,185,000)	9,555,000	-	(9,555,000)	-	-	-	-	-	-	-	-	-	-
	2.12.2003	0.540	1.6.2004 – 31.5.2006	(1) & (2)	17,250,000	5,115,000	(650,000)	(1,675,000)	20,540,000	(13,325,000)	-	(2,795,000)	4,420,000	-	(1,170,000)	(3,250,000)	-	-	-	-	-
	6.10.2005	0.380	6.10.2005 – 31.10.2006	(5)	-	-	-	-	-	-	33,000,000	-	-	-	(33,000,000)	-	-	-	-	-	-
	7.7.2006	0.296	7.7.2006 – 31.7.2008	(6)	-	-	-	-	-	-	-	-	-	74,300,000	(1,000,000)	-	73,300,000	(59,500,000)	13,800,000	-	-
	7.7.2006	0.296	7.7.2006 – 31.7.2010	(3) & (6)	-	-	-	-	-	-	-	-	-	6,000,000	-	-	6,000,000	(1,200,000)	4,800,000	-	-
					30,444,800	8,971,320	(12,649,120)	(30,095,000)	30,095,000	(13,325,000)	33,000,000	(12,250,000)	37,420,000	80,300,000	(2,170,000)	(56,250,000)	79,300,000	(60,700,000)	18,600,000	(60,700,000)	18,600,000
					60,804,800	18,025,320	(35,345,120)	(43,885,120)	(13,325,000)	75,000,000	(25,090,000)	80,070,000	107,300,000	(21,700,000)	(78,900,000)	106,300,000	(63,700,000)	42,600,000	(63,700,000)	42,600,000	

*Notes:*

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company 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.
- (2) 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.
- (3) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.
- (4) On 16 September 2005 and 26 September 2005, 650,000 share options and 12,675,000 shares options were exercised at the exercise price of HK\$0.34 per share. The weighted average closing price of the Company's shares immediately before the respective date of exercise was HK\$0.495 per share and HK\$0.470 per share.

On 25 January 2006 and 26 January 2006, 520,000 share options and 650,000 share options were exercised at the exercise price of HK\$0.34 per share respectively. The weighted average closing prices of the Company's shares immediately before the date of exercise were HK\$0.41 per share and HK\$0.42 per share respectively.

On 14 November 2006, 1,000,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.34 per share.

On 23 April 2007, 1,000,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.355 per share.

On 3 July 2007, 8,600,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.690 per share.

On 4 July 2007, 40,100,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.640 per share.

On 9 July 2007, 5,000,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.690 per share.

On 17 July 2007, 9,000,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.770 per share.

- (5) The closing price of the share immediately before the date of grant on 6 October 2005 was HK\$0.335.
- (6) The closing price of the share immediately before the date of grant on 7 July 2006 was HK\$0.29.
- (7) The lapsed options were due to expiry or cessation of employment of participants with the Group.
- (8) No option was cancelled during the Relevant Periods.

Options granted on 2 December 2003 are vested over two years. The estimated fair value of the options granted on that date was HK\$700,000, of which HK\$219,000 and HK\$40,000 were charged to the consolidated income statement during the years ended 31 December 2004 and 2005 respectively. No option was granted during the year ended 31 December 2004.

During the year ended 31 December 2005, options were granted on 6 October 2005 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK\$163,000.

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

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

	<b>Share option grant date</b>		
	<b>2 December 2003</b>	<b>6 October 2005</b>	<b>7 July 2006</b>
Weighted average share price	HK\$0.44	HK\$0.32	HK\$0.29
Exercise price	HK\$0.44	HK\$0.38	HK\$0.30
Expected volatility	20%	20%	74%
Expected life	2.5 years	1 year	2 years
Risk-free rate	1.71%	3.86%	4.59%
Expected dividend yield	0%	3.125%	3.125%

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

The Group recognised the total expenses of HK\$219,000, HK\$203,000 and HK\$1,613,000 for the years ended 31 December 2004, 2005 and 2006 respectively in relation to share options granted by the Company. No such expense was charged to consolidated income statement for the seven months ended 31 July 2007.

*(b) Share option schemes of CASH*

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted a share option scheme ("CASH Option Scheme"). The major terms of the CASH 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 CASH Group; or
  - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CASH Option Scheme must not exceeded 10% of the issued share capital of CASH as at the date of approval of the CASH 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 CASH 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 CASH 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 CASH and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of CASH 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 CASH.

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

The following table discloses details of the share options granted by CASH and held by the directors and employees of the Group and movements in such holdings:

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Number of options										
				outstanding as at 1.1.2004	reallocated upon change of directorate	lapsed in 2004	outstanding as at 31.12.2004 and 31.12.2005	lapsed in 2005	outstanding as at 31.12.2005 and 31.12.2006	granted in 2006	outstanding as at 31.12.2006	granted in the period	exercised in the period	outstanding as at 31.12.2007
Directors														
CASH Option Scheme	2.12.2003	0.502	2.12.2003 – 30.11.2005	12,000,000	(2,000,000)	-	10,000,000	(10,000,000)	-	-	-	-	-	-
	13.11.2006	0.323	13.11.2006 – 12.11.2008	-	-	-	-	-	-	12,000,000	12,000,000	-	-	12,000,000
	6.6.2007	0.490	6.6.2007 – 31.5.2009	-	-	-	-	-	-	-	-	14,000,000	-	14,000,000
Employees	2.12.2003	0.502	2.12.2003 – 30.11.2005	-	2,000,000	(1,000,000)	1,000,000	(1,000,000)	-	-	-	-	-	-
CASH Option Scheme	13.11.2006	0.323	13.11.2006 – 12.11.2008	-	-	-	-	-	-	20,000,000	20,000,000	-	(12,000,000)	8,000,000
	30.5.2007	0.480	30.5.2007 – 31.5.2009	-	-	-	-	-	-	-	-	11,700,000	(4,000,000)	7,700,000
	6.6.2007	0.490	6.6.2007 – 31.5.2009	-	-	-	-	-	-	-	-	28,300,000	-	28,300,000
				12,000,000	-	(1,000,000)	11,000,000	(11,000,000)	-	32,000,000	32,000,000	54,000,000	(16,000,000)	70,000,000

(c) *Share option schemes of CRMG*

Pursuant to an ordinary resolution passed at the special general meeting of CRMG held on 19 February 2002, CRMG adopted the share option scheme (“CRMG New Option Scheme”) to replace the share option scheme adopted on 21 January 1994 (“CRMG Old Option Scheme”). All the options granted under the CRMG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CRMG Old Option Scheme. The major terms of the CRMG 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 CASH Group; or
  - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

- (ii) The participants of the CRMG New Option Scheme included any employee, director, consultant, adviser or agent of any member of the CASH Group including the CRMG Group as associated companies of the Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CRMG New Option Scheme must not exceed 10% of the issued share capital of CRMG as at the date of approval of the CRMG 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 CRMG 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 CRMG 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 CRMG and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of CRMG 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 the CRMG.
- (viii) 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.
- (ix) The life of the CRMG New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the share options granted by CRMG and held by the directors of the Company and movements in such holdings:

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	Number of options					
					outstanding as at 1.1.2004	adjusted on 2.3.2004	reallocated upon change of directorate	adjusted on 11.9.2004	lapsed in 2004	outstanding as at 31.12.2004, 31.12.2005, 31.12.2006 and 31.7.2007
CRMG Old Option Scheme	17.1.2002	4.200	1.2.2002 – 31.1.2004		1,650,000	-	-	-	(1,650,000)	-
CRMG New Option Scheme	2.12.2003	0.316	2.12.2003 – 30.11.2004	(1) & (2)	2,000,000	8,000,000	-	1,333,334	(11,333,334)	-
	2.12.2003	0.316	1.12.2004 – 30.11.2005	(1) & (2)	500,000	2,000,000	(2,500,000)	-	-	-
					<u>4,150,000</u>	<u>10,000,000</u>	<u>(2,500,000)</u>	<u>1,333,334</u>	<u>(12,983,334)</u>	<u>-</u>

*Notes:*

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of CRMG for 1 share to 5 shares with effect from 2 March 2004. The exercise price per share was adjusted from HK\$1.79 to HK\$0.358.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in CRMG with effect from 11 September 2004. The exercise price was adjusted from HK\$0.358 to HK\$0.316.

#### 43. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) 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 the income statement as they become payable in accordance with the rules of the MPF Scheme. 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 subsidiary in Taiwan operates pension plan under the Labor Pension Act (the “Act”). The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees’ individual pension accounts.

The Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant the PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

#### 44. Related party transactions

Apart from the convertible loan notes as disclosed in note 38, the Group had the following significant transactions with fellow subsidiaries:

	Notes	Year ended 31 December			Seven months ended
		2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	31 July 2007 HK\$'000
Commission and interest income received from the following wholly-owned subsidiaries of CASH	(a)				
Kawoo Finance Limited		1,094	23	195	715
E-Tailor Holding Limited		16	43	5	–
		<u>1,110</u>	<u>66</u>	<u>200</u>	<u>715</u>
Commission and interest income received from the following substantial shareholders of CASH	(b)				
Cash Guardian		740	929	1,200	263
Mr. Kwan Pak Hoo Bankee and associates		–	–	–	276
		<u>740</u>	<u>929</u>	<u>1,200</u>	<u>539</u>
Placing agent commission received from CASH and CRMG	(c)	–	1,312	–	–
Underwriting fee received from CASH	(d)	–	–	705	–
Placing agent commission received from CASH	(e)	–	–	–	2,632
Financial advisory service fee from CASH	(f)	–	–	–	300
Interest income received for amounts receivable on disposal of subsidiaries	(g)	–	–	–	2,160
Interest payment on convertible loan note to a wholly-owned subsidiary of CASH	(h)	1,278	–	–	–
Introducing fee to an associate	(i)	–	–	600	–
Purchase of cash coupons from a wholly-owned subsidiary of CRMG	(j)	101	–	–	–
Transfer of prepayment of advertising and telecommunication services to a wholly-owned subsidiary of CRMG	(k)	130	–	–	–

	Notes	Year ended 31 December			Seven months ended
		2004	2005	2006	31 July 2007
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission and interest income received from ARTAR and associates substantial shareholder of the Company	(l)	–	–	–	7,773
Commission and interest income received from the following directors of the Company	(m)				
Mr. Wong Kin Yick Kenneth and associates		64	84	112	286
Mr. Law Ping Wah and associates		15	31	21	220
Mr. Cheng Man Pan and associates		4	6	9	201
		<u>83</u>	<u>121</u>	<u>142</u>	<u>707</u>
Commission and interest income received from Mr. Lin Che Chu George and associates, director of CASH	(n)	<u>–</u>	<u>–</u>	<u>2</u>	<u>128</u>

## Notes:

- (a) During each of the years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007, the Group received commission and interest from margin financing of approximately HK\$1,110,000, HK\$66,000, HK\$200,000 and HK\$715,000 respectively from certain wholly-owned subsidiaries of CASH. The commission and interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (b) During each of the years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007, the Group received commission and interest from margin financing of approximately HK\$740,000, HK\$929,000, HK\$1,200,000 and HK\$539,000 respectively from substantial shareholder of CASH. The commission and interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (c) During the year ended 31 December 2005, the Group received placing agent commission of approximately HK\$1,312,000 from CRMG. The fee was calculated at 1.25% on the total proceeds from the placement received by CRMG.
- (d) During the year ended 31 December 2006, the Group received underwriting fee of approximately HK\$705,000 from CASH. The fee was calculated at 2.5% on the total proceeds from the placement received by CASH.
- (e) During the seven months ended 31 July 2007, the Group received placing agent commission fee of approximately HK\$2,632,000 from CASH. The fee was calculated at 1% on the total proceeds from the placement received by CASH.
- (f) During the seven months ended 31 July 2007, the Group received financial advisory service fee of approximately HK\$300,000 from CASH.

- (g) During the seven months ended 31 July 2007, the Group received interest income of HK\$2,160,000 from CASH for the amounts receivable on disposal of subsidiaries. The interest was calculated at Hong Kong Prime Rate.
- (h) During the year ended 31 December 2004, the Group paid interest on convertible loan note of approximately HK\$1,278,000 respectively to a wholly-owned subsidiary of CASH. The interest was calculated at a rate of 2% per annum.
- (i) During the year ended 31 December 2006, the Group paid introducing fee to an associate amounting to HK\$600,000.
- (j) During the year ended 31 December 2004, the Group bought cash coupons of approximately HK\$101,000 from a wholly-owned subsidiary of CRMG at their face values.
- (k) During the year ended 31 December 2004, the Group transferred prepayment for advertising and telecommunication services of HK\$130,000 to a wholly-owned subsidiary of CRMG for a cash consideration of HK\$130,000.
- (l) During the seven months ended 31 July 2007, the Group received commission and interest in respect of margin financing and trading of securities of approximately HK\$7,773,000 from ARTAR and associates, a substantial shareholder of the Company. The interest and commission was calculated at commercial rates which were similar to the rates offered to other clients.
- (m) During each of the years ended 31 December 2004, 2005 and 2006 and the seven months ended 31 July 2007, the Group received commission and interest in respect of margin financing and trading of securities of approximately HK\$83,000, HK\$121,000, HK\$142,000 and HK\$707,000 respectively from some directors of the Company. The commission and interest was calculated at commercial rates which were similar to the rates offered to other clients.
- (n) During the year ended 31 December 2006 and the seven months ended 31 July 2007, the Group received commission and interest in respect of margin financing and trading of securities of approximately HK\$2,000 and HK\$128,000 respectively from director of CASH. The commission and interest was calculated at commercial rates which were similar to the rates offered to other clients.
- (o) During the year ended 31 December 2004, CASH acted as an underwriter in the rights issue of the Company without receiving any fee or underwriting commission.
- (p) At 31 December 2004, 2005 and 2006 and 31 July 2007, the Group had amount of approximately HK\$2,048,000, HK\$972,000, HK\$3,463,000 and HK\$1,994,000 due from the fellow subsidiaries. The amount was unsecured, non-interest bearing, had no fixed repayment terms and have been fully settled subsequent to 31 July 2007.
- (q) During the year ended 31 December 2006, the Group acquired three subsidiaries from CASH at a total consideration of HK\$852,000.
- (r) During the seven months ended 31 July 2007, the Group disposed of subsidiaries to CASH at a total consideration of HK\$120,000,000.
- (s) During the Relevant Periods, compensation of key management personnel represents directors' remuneration, as stated in note 11. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

## 45. Commitments

*(a) Underwriting commitment*

At 31 December 2004, the Group had a underwriting commitment of HK\$27,200,000 in respect of the subscription of 40,000,000 shares of Emperor (China Concept) Investments Limited under the requirement of a corporate finance business. The deal was completed on 21 January 2005. The underwriting commitment of the Group was then fully discharged.

At 31 December 2005, the Group had an underwriting commitment of HK\$129,121,000 in respect of the new share public offer under the requirement of a corporate finance business. The deal was completed on 6 January 2006. The underwriting commitment of the Group was then fully discharged.

*(b) Capital commitment*

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the Financial Information ( <i>Note 1</i> )	–	55,000	–	–
Capital expenditure in respect of the capital injection to the associate contracted for but not provided in the Financial Information ( <i>Note 2</i> )	–	–	–	114,044
	–	55,000	–	114,044

*Notes:*

- (1) The acquisition of subsidiaries was duly passed at the special general meeting by shareholders and independent shareholders of the Company on 20 December 2005. The acquisition was completed on 10 January 2006 upon the completion of all conditions as stated in the share purchase agreement dated 15 September 2005.
- (2) Pursuant to the shareholder agreement entered into between a subsidiary, Marvel Champ Investments Limited, and the other shareholders of the associate on 27 June 2007, the Group is required to make capital contribution to the associate amounting to HK\$153,200,000. During the seven months ended 31 July 2007, the Group has made payment of HK\$39,156,000 to the associate.

**46. OPERATING LEASE COMMITMENTS**

At each of the balance sheet dates, 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:

	<b>THE GROUP</b>			
	<b>At 31 December</b>			<b>At</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	6,458	6,582	8,590	2,790
In the second to fifth year inclusive	10,609	4,826	918	954
	<u>17,067</u>	<u>11,408</u>	<u>9,508</u>	<u>3,744</u>

Operating lease payments represent rental payable by the Group for its office premises. Leases are mainly negotiated for an average term of four years and rentals are fixed for an average of three years.

**47. CONTINGENT LIABILITIES**

In 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("Celestial Securities"), a wholly owned subsidiary of the Company, alleging that Celestial Securities, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with Celestial Securities to buy 1,046,000 shares of Takson Holdings Limited. The directors confirmed that the subject transactions were made with knowledge and authority of Pang. On 31 December 2007, settlement has been reached between Pang and Celestial Securities and no admission of liability was made by either party. The total legal costs and other related expenses incurred and to be incurred by the Group in connection with the settlement of the claim are estimated to be approximately HK\$4 million. The settlement of the claim did not have material impact on the Financial Information, accordingly, no provision was made.

**48. SUBSEQUENT EVENTS**

On 2 October 2007, the Group made announcement that the Company proposed to raise fund of approximately HK\$237.4 million (before expenses) by issuing 2 right share for every 5 shares held as at 23 October 2007 at the subscription price of HK\$ 0.40 per ordinary share by way of rights issue. The proceeds raised in rights issue will be used to support the Group's expansion in share margin financing portfolio and facilitation of the corresponding growth in its securities brokerage business to be in line with market development as well as for general working capital of the Group. The rights issue was completed on 21 November 2007.

**B. DIRECTORS' REMUNERATION**

Save as disclosed in this report, no other remuneration has been paid or is payable to directors of the Company by the Group during the Relevant Periods.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of any of the companies comprising the Group have been prepared in respect of any period subsequent to 31 July 2007.

Yours faithfully,

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong