CASH Financial Services Group Limited

(Stock Code: 510)

Annual Report 2008

Contents

Corporate Profile

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

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

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

Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	(Chairman)
CHAN Chi Ming Benson	(CEO)
LAW Ping Wah Bernard	(CFO)
CHENG Man Pan Ben	(ED)
YUEN Pak Lau Raymond	(COO)

Independent Non-executive:

CHENG Shu Shing Raymond
LO Kwok Hung John
LO Ming Chi Charles

AUDIT COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Kwok Hung John
LO Ming Chi Charles

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond (committee chairman)
LO Ming Chi Charles
KWAN Pak Hoo Bankee

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

AUTHORISED REPRESENTATIVES

KWAN Pak Hoo Bankee
(alternate: LAW Ping Wah Bernard)

CHENG Man Pan Ben
(alternate: LUKE Wing Sheung Suzanne)

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin

COMPLIANCE ADVISER

First Shanghai Capital Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

WEBSITE

www.cfsg.com.hk

STOCK CODE ON MAIN BOARD : 510

CONTACTS

Telephone : (852) 2287 8788
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Financial Review

For the year ended 31 December 2008, the Group recorded a net loss of HK$86.2 million as compared to a net profit of HK$206.7 million as recorded in the previous year. The recorded loss was mainly due to recognition of the investment loss of HK$163.4 million on financial assets when the financial crisis in the last quarter of 2008 damaged investors' confidence, causing the share prices of most listed securities in the local stock market to reach their new lows since the aftermath of SARS outbreak in 2003. The Group's core financial services business still recorded an operating profit of HK$62.3 million for the year under the review even though the poor investment sentiment caused by the US subprime credit crisis started to take toll on the local stock market.

The Group recorded revenue of HK$324.7 million for the year ended 31 December 2008 as compared to the revenue from the continuing operations of HK$666.4 million for the previous year. The significant decrease was attributable to the reduction in both the commission income generated from the Group's brokerage business and interest income from its financing activities, which had in turn resulted from the weak investors' sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since late last year, followed by the downturn in both the local and global economies in the current year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$706.1 million on 31 December 2008 as compared to HK$899.4 million at the end of the previous year. The change was the combined result of the reduction in retained earnings due to the loss for the year, the effect on repurchases of its own shares and the distribution of 2008 interim dividend and 2007 final dividend made during the year under review.

Subsequent to the balance sheet date, the Company announced a proposed 2-for-1 rights issue at a subscription price of HK$0.45 per share on 20 February 2009 to raise approximately HK$92.6 million capital in order to further strengthen its capital bases.

As at 31 December 2008, the Group had total bank borrowings of approximately HK$232.1 million, comprising bank loans of HK$179.0 million, mortgage loans of HK$38.1 million and overdrafts of HK$15.0 million.

Among the above bank borrowings, HK$14.0 million were collateralised by its margin clients' securities pledged to the Group. Another bank loan of HK$10.0 million was secured by a pledged deposit. Mortgage loans of HK$38.1 million were secured by the investment properties under construction with a total carrying amount of approximately HK$63.3 million. There were also unsecured borrowings including a syndicated bank loan of HK$105.0 million, unsecured bank loans of HK$50.0 million and unsecured overdrafts of HK$15.0 million.

As at 31 December 2008, our cash and bank balances including the trust and segregated accounts totalled HK$752.5 million as compared to HK$1,213.9 million at the end of the previous year. The decrease in the cash balances was mainly due to the decrease in deposits by our security clients whose confidence in the stock market had been weakened as the financial crisis was deepening in the last quarter of 2008.

Bank deposits of HK$10.7 million was pledged as collateral for a bank loan of HK$10.0 million. Another deposit of HK$0.2 million was pledged to facilitate a bank guarantee of a rental deposit. A further deposit of HK$7.1 million was pledged to facilitate a standby letter of credit facility granted by a bank to an associate of the Company. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK$17.1 million was held for this purpose.

The liquidity ratio on 31 December 2008 remained healthy at 1.4 times, as compared to 1.3 times on 31 December 2007.

The ratio for our interest bearing borrowings to total equity was 32.9% on 31 December 2008 as compared to 25.7% on 31 December 2007, which was kept at a conservatively low level. On the other hand, we have no material contingent liabilities at the year-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

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

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

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

Capital Commitment

As at 31 December 2008, the Group does not have any material outstanding capital commitment.

Material Investments

As at 31 December 2008, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$79.2 million and net losses on listed investments, unlisted investment funds, equity-linked structured deposits and derivative financial instruments totally of HK$163.4 million was recorded for the year.

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

Management Discussion and Analysis

INDUSTRY REVIEW

2008 was an extremely difficult year marked with unprecedented market volatilities, corporate failures, and widespread economic recession. The global de-leveraging and deflationary forces were massive and destructive. For example, the world market capitalisation has shrunk by half to reach its 2004 levels. The credit crisis that began in August 2007 in the US turned into a financial tsunami in October 2008 when Lehman Brothers collapsed. Global credits dried up and stock markets went into a tailspin. Speculative attacks led to severe capital flights in countries like Iceland, Hungary, Ukraine, and Russia. While governments around the world reacted with unprecedented coordinated efforts to ease monetary and fiscal policies to prevent the economies from entering a depression, investor confidence has fallen off a cliff and it will be a while before it can be restored.

Hong Kong was particularly hit hard given its size and economic openness. It slipped into recession for the first time since 2003. Massive wealth destruction, lack of credit availability and bleak export outlook in Southern China will likely prolong the current downturn.

The Hang Seng Index closed the year at 14,387, down 48.3% from the previous year. Market capitalisation evaporated 50% to HK$10 trillion. Total capital raised by 35 new listed companies has fallen 77% y-o-y to HK$66 billion.

In China, the economy seemed to have to come to a sudden halt after the best-ever summer Olympics. The already-weak export sector continued to struggle with little signs of turnaround. Investment spending decelerated sharply while domestic consumption began to show signs of fatigue. In response, the government announced the biggest-ever 4 trillion yuan fiscal stimulus plan to boost infrastructure spending, support the export sector and revive the property markets. It is expected that this massive government easing will start to trickle down to the economy in the second half of 2009. At the same time, the People's Bank of China reversed its tightening stance by aggressively cutting interest rates and lowering bank reserve requirements. It is encouraging to see early signs of re-accelerating credit growth. While few countries are immune to the global economic recession, China will likely lead the region to return to growth.

BUSINESS REVIEW

The revenue for the year was HK$324.7 million, a decrease of 51.3% compared to HK$666.4 million for last year. Net loss for the year ended 31 December 2008 amounted to HK$86.2 million.

China Development

Our key strategy in 2008 was to position ourselves for business growth in China. In addition to setting up the Shanghai office, we opened up branch offices in Chongqing and Beijing during the first half of the year. We also upgraded our Shenzhen operation support centre to strengthen our capacity and be closer to our Mainland business partners. All these offices carry our brand and serve as contact points for prospective clients and bases for marketing and business development. Currently, the offices in Mainland do not deal in securities trading. Their primary function is to provide potential clients and the investing public with market and investment research. Our experience suggests that investors value this type of investment information from a reputable and trustworthy company like us. Over time, we plan to leverage on these offices to build brand awareness, generate databases, gather market information, and develop strategic alliances with local partners. This strategy will help us tap the local network and talents for future expansion as the market liberalisation continues.

During the year, we held a number of exhibitions and seminars in the cities where we have representative offices to promote our services and corporate image. Majority of these initiatives received positive feedback and served as an important ground for our future China development.

Securities Broking

With the fall in market turnover and the lack of mega IPOs activities, interest income for margin financing business substantially dropped, resulting in a fall in revenue from securities broking compared to the same period of last year.

With service enhancement as one of our top priorities, we employed a straight-through commodities trading system to increase execution efficiency for our commodities clients. In addition, we adopted a localised real time quote system for Mainland clients.

In November, we were granted the Gold Futures Liquidity Provider privilege by the HKEX to become the only non-bank liquidity provider when it launched Gold Futures trading in Hong Kong.

As a leading technology-focused service provider, we introduced the world's first 3D AI Broker, a real-time and humanoid system that enhances online communications. The user-friendly application requires no special hardware or software to operate and enable multi-tasking clients to receive real-time account and market information in the language of their choice. We believe this convenience and humanoid application have elevated the online service standards of financial services industry in the world.

Wealth Management

The wealth management business, after re-engineering its pricing and payout scheme in recent years, has successfully attracted and retained talented sales professionals. Although the general capital markets were in turmoil since outbreak of the sub-prime crisis in mid-2007, sales revenue from the wealth management business saw a healthy growth in the first half of 2008. Net income for the year suffered as a result of a significant hike in rent and overheads even though the total sales income did not retract as much as the overall market. During the second half of the year, despite a continued increase in total number of clients, we experienced a noticeable fall in average order size and a significant increase in interest in protection-related investment. We believe this investment trend will persist in early 2009.

Asset Management

The asset management business provides us with a lever to tap into the high-net-worth segment where demand for personalised professional asset management service shows promising growth.

Over the past year, asset under management contracted significantly mainly due to global market sell-offs and partly due to fund withdrawals as investors turned risk averse. Portfolio return was hit particularly hard subsequent to the market meltdown triggered by the Lehman Brothers' collapse. Despite the difficult markets, the number of clients increased over the year, reflecting the underlying need for professional asset management service in times of rising volatility. These new clients are ready to invest as soon as the general market sentiment improves.

Corporate Finance

Corporate activities such as M&As, corporate restructuring, asset injections continued to dominate the market during 2008. IPO activities fell second year in a row after their peak in 2006. During the year, there were only 35 companies listed on the Hong Kong Stock Exchange, a 58% fall from the previous year. In aggregate, these companies raised HK$66 billion, merely a quarter of the amount raised in 2007. Under this challenging environment, the corporate finance unit shifted its focus to financial advisory and special transactions such as corporate restructuring and capital injections.

People

At CFSG, we recognise that the long-term success of our business is built on trust, integrity, and professionalism. Hence, people remain our most valuable assets. Our experience shows that if we treat our people right, they will serve our clients well and success will follow.

We believe having a set of corporate values will help solidify foundations for the healthy growth of a company. We nourish a culture of 'Five Hearts' — Devotion, Commitment, Caring, Winning and Happiness — within our organisation. These values over the years have proven to contribute to the goodness of our work atmosphere and strengthen our team spirit.

Throughout the year, our employees participated in a wide spectrum of training and development programs to upgrade their operational and managerial skills. We will continue to allocate resources towards personal development to enhance employees' competencies as well as their sense of belonging. Our goal is to create an environment to attract, develop, motivate, and retain talents and to encourage them to work together as a team.

A Total Caring Organisation

We are committed to creating value for stakeholders, delivering superior shareholders' returns, caring for employees' welfare, and being a trusted partner to clients we serve and a responsible corporate citizen in the communities we operate.

We manage the growth of our business without compromising the environment or society. We believe the health of our environment and society will in turn help sustain the growth of our business over the long term.

Our principles are to meet the needs of our customers with quality products and innovative services; creating an enjoyable work environment that unleashes the full potential of our employees; supporting the preservation of natural environment; and contributing to the betterment of the community, especially for our future generations.

OUTLOOK

2009 will be a year where we focus on enhancing our business platform and refining our operation procedures. We will continue to exercise prudent cost measures while we position our development in the coming years. China will remain our core business development focus. We intend to leverage on our existing branch offices and networks in China to promote our securities broking, wealth management, and corporate finance business.

The securities broking business remains our core income contributor but its revenue composition will likely change as a result of our strategic shift to focus on the high margin and cash account business. In order to provide a stable and reliable service to a boundary-less clientele, we will continue to strengthen the execution capability and system stability of our platform. We will continue to add new features and functionalities as a continuous improvement project.

To anticipate changing client needs as market volatility remains high, we started to source for easy to understand and evaluate investment solutions with protection and investment features. Investors seem to seek more professional money management advice during volatile and down markets. Locally, potential investors tend to go to professional advisors or IFAs for investment advice instead of traditional banks after the Lehman Brothers mini-bond incident. To capture and expand this growing market segment, we will continue to strengthen recruitment and sales training. This change in investment behaviour also underpins our belief that income diversification through business diversification is essential. As such, we will continue to diversify and stabilise income sources by increasing the fee portion of income generated from discretionary portfolio management service. By exercising our philosophy in "Five Core Values", we believe we will be able to elevate our service level, exceed clients' expectation and ultimately become one of the most respectable wealth management advisors in China.

The asset management business will continue to expand its capacity by increasing the number of professional investment analysts and managers. Furthermore, it will launch portfolio management service with differentiated investment objectives. In addition to strengthening cross-selling synergies with the wealth management business through joint functions and promotions, the focus in 2009 is to continue its efforts to grow its client-base and assets under management.

The corporate finance team will focus on corporate advisory deals, and seek IPO sponsorship opportunities for companies in the Mainland, Singapore and Japan. The expansion of business regime into Asia is also a response to the development strategy promoted by the Hong Kong Stock Exchange in recent years to diversify the industry's portfolio and make Hong Kong a truly international capital centre.

The Group is generally cautious about the business outlook for 2009. As a small and open economy, Hong Kong is not immune to the global economic slowdown and financial tsunami. Hong Kong has already slipped into recession and its GDP is expected to shrink. The consumer and property sectors will likely remain weak while unemployment rate is expected to reach the levels unseen since the SARS in 2003. Against this economic backdrop as well as that of an unprecedented economic stimulus in both the developed and emerging countries, continued deleveraging, 2009 is unlikely to be a quiet year for investors. That said, some believe that the current downturn will be less severe compared to the Asian financial crisis 10 years ago because of the lower financial leveraging. While the world policy makers are likely to maintain a low interest rate policy to boost economy, the question remains whether this incentive is sufficient for consumers and investors to move from cash back into the market.

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

Employee Information

At 31 December 2008, the Group had 258 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$71.8 million.

Benefits

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

Training

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

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

Directors and Senior Management

Chairman

Bankee Pak-hoo KWAN

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

aged 49, joined the Board on 11 August 2000. He is responsible for the overall business strategy of the Group. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. He graduated from the Murdoch University of Perth, Australia in 1998 with a Master's degree in Business Administration and from the Chinese University of Hong Kong in 1984 with a Bachelor's degree in Business Administration. Mr Kwan is also a fellow membership of the Institute of Financial Accountants of the United Kingdom since 1999 and a member of the Hong Kong Securities Institute since 1999. Mr Kwan is also a Certified Professional Marketer (Hong Kong) of Hong Kong Institute of Marketing and a member of Hong Kong Institute of Marketing.

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

Mr Kwan is a substantial shareholder and the chairman of CASH. He is a member of the Remuneration Committee, as well as a member of the remuneration committee of CASH.

Executive Directors

Benson Chi-ming CHAN

CEO, MBA, BA, FCCA, CPA, MHKSI

aged 42, joined the Board on 5 October 2007. He is in charge of the Group's business development, business management and operation of the Group's corporate finance business, including investment banking advisory. Mr Chan has over 18 years of relevant experience in the field of auditing, accounting, investment banking and corporate finance. He is a holder of Master Degree of Business Administration from The Hong Kong University of Science and Technology and a holder of Bachelor of Arts (Hons.) Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute since 1999. Mr Chan is also the managing director and head of investment banking group of the Group, and a responsible officer of Celestial Capital.

Bernard Ping-wah LAW

CFO, MBA, FCCA, FCPA, MHKSI

aged 50, joined the Board on 11 August 2000. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. He graduated from the University of Warwick, United Kingdom in 1997 with a Master's degree of Business Administration. He has been a fellow of The Association of Chartered Certified Accountants since 1994, a fellow member of the Hong Kong Institute of Certified Public Accountants since 1998 and a member of Hong Kong Securities Institute since 1999. Mr Law is also an executive director and chief financial officer of CASH.

Ben Man-pan CHENG

ED, BA, FCCA, CPA

aged 39, joined the Board on 7 June 2004. He is the managing director of the retail business group. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Mr Cheng graduated from The City University of Hong Kong in 1992 with a Bachelor's degree in Accountancy. He has been admitted as a fellow member of The Association of Chartered Certified Accountants since 2001 and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants since 1995. Mr Cheng is a responsible officer of Celestial Securities and Celestial Commodities.

Raymond Pak-lau YUEN

COO, BA, FCCA, CPA, ACA

aged 45, joined the Board on 1 December 2008. He is the chief operating officer in charge of monitoring the Group's day-to-day operation. Mr Yuen has over 19 years of experience in accounting, auditing, financial management and operations control. He graduated from The City University of Hong Kong with a Bachelor of Arts in Accountancy. He is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales. Mr Yuen is also the qualified accountant of CASH.

Independent Non-executive Directors

Raymond Shu-shing CHENG

INED

aged 53, joined the Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. He has been admitted as a fellow of The Professional Validation Centre of Hong Kong Business Sector in 2005 and an associateship of The Professional Validation Council of Hong Kong Industries in 2002. Mr Cheng was the winner of The Young Industrialist Awards for the year 1992 and has been a member of Young Industrialists Council Ltd since 1996. He is also a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council from 1988 to 2008 and an advisor of The Federation of Hong Kong Watch Trades and Industries Limited. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee.

John Kwok-hung LO

INED, MBA, LLB, FCCA, CFC

aged 50, joined the Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. He graduated from the Oklahoma City University, US in 1992 with a Master's degree in Business Administration and from the University of London, United Kingdom in 2001 with a Bachelor's degree in Laws. Mr Lo has been admitted as a fellow of The Association of Chartered Certified Accountants since 1990. Mr Lo is also a Certified Financial Consultant of US since September 2007. Mr Lo is also a member of the Audit Committee.

Charles Ming-chi LO

INED, JP, CPA, FFSI

aged 59, joined the Board on 27 October 2008. Mr Lo has over 32 years of professional and business experience in financial and investment services in Australia, Hong Kong and other Asian countries. He is a Justice of the Peace for the State of New South Wales, Australia, a Certified Practising Accountant of the CPA Australia, and a fellow member of the Financial Services Institute of Australasia. Mr Lo is also a member of the Audit Committee and the Remuneration Committee.

Senior Management

Tonnie Lai-man YU

Deputy Managing Director, Brokerage Development

aged 47, is an ordinary member of Hong Kong Securities Institute. Ms Yu joined the Group in July 1998 and has over 16 years of experience in the financial services industry. She is a responsible officer of Celestial Securities. She is responsible for the sales of the Group's brokerage business.

Horace Pak-leung KWAN

Deputy Chief Operating Officer

aged 45 is an ordinary member of Hong Kong Securities Institute. Mr Kwan joined the Group in March 1998 and has over 16 years of experience in the field of financial services. He is a responsible officer of Celestial Securities and Celestial Commodities respectively. He is responsible for the operation of the Group. He is the brother of Mr Kwan Pak Hoo Bankee.

Majone Pui-lai CHENG

Deputy Managing Director, CASH on-line Limited

aged 36, is a Master Degree holder of Science in Financial Management from the University of London, United Kingdom and Bachelor Degree holder in Economics from the University of Hong Kong. Ms Cheng joined the Group in March 1998 and has over 10 years of relevant experiences in the financial services industry. She is responsible for the overall supervision of the Group's electronic trading operation.

Patrick Ho-yin YIU

Managing Director, Asset Management

aged 35, is a Bachelor Degree holder of Economics from The Chinese University of Hong Kong. Mr Yiu joined the Group in April 2006 and has over 11 years of relevant experiences in the financial services field. He is a responsible officer of CASH Asset Management Limited licensed to engage in type 9 (asset management) regulated activities under the SFO. He is in charge of the provision of asset management services.

Rozina Lok-sze CHO

Head of Compliance and Risk Management

aged 33, is a Bachelor Degree holder of Commerce from McGill University in Canada with major in marketing. Ms Cho joined the Group in August 1997 and has over 11 years of experience in compliance, electronic trading development and operations. She is responsible for all brokerage compliance and risk management issues of the Group.

Hon-wo SHUM

Head of Legal

aged 36, is a qualified solicitor of the HKSAR. He is a Master Degree holder in Laws from City University of Hong Kong, Master Degree holder in Laws from Renmin University of China and Bachelor Degree holder in Laws from University of Hong Kong. Mr Shum joined the Group in August 2005 and has over 11 years of experience in legal field. He is the Group's legal counsel and is responsible for all legal issues of the Group.

Wallace Hon-ming WONG

Qualified Accountant

aged 42, is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr Wong joined the Group in March 2000 and has over 16 years of relevant experiences in the field of accounting and auditing. He is also the deputy financial controller of the Group.

Suzanne Wing-sheung LUKE

Company Secretary

aged 40, is a fellow of the Institute of Chartered Secretaries and Administrators. Ms Luke joined the Group in May 2000 and has over 16 years of listed company secretarial experience. In addition to taking the role as company secretary of the Company, she is also the company secretary of CASH.

Corporate Governance Report

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

ADOPTION OF THE PRINCIPLES IN THE CG CODE

The Board has adopted the Principles which align with the requirements set out in the CG Code. During the CG Period, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code	Deviation and reason
A.2.1 The roles of Chairman and CEO should be separate and should not be performed by the same individual	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all EDs. During the period from 1 August 2008 to 4 January 2009, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs. However, since the appointment of Mr Chan Chi Ming Benson as the CEO on 5 January 2009, the CG Code A.2.1 had been fully complied.

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

Directors' Securities Transactions

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

BOARD OF DIRECTORS

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

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

- 8 meetings of the full Board
- 14 meetings of the EDs

Out of the 8 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group, while 3 meetings to consider and resolve the corporate transactions of the Company which arose during the CG Period. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters.

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

Director	Board capacity	Appointments/ Re-designation/ Resignations during the CG Period	Attendance Full Board meetings	ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		6/8	14/14
Mr Chan Chi Ming Benson	ED & CEO	was appointed as CEO on 5 January 2009	8/8	14/14
Mr Law Ping Wah Bernard	ED & CFO		8/8	13/14
Mr Cheng Man Pan Ben	ED		8/8	13/14
Mr Yuen Pak Lau Raymond	ED & COO	was appointed on 1 December 2008	3/3	4/4
Mr Wong Kin Yick Kenneth	NED	re-designated from ED to NED on 1 August 2008, and resigned on 29 October 2008	4/5	5/5
Mr Cheng Shu Shing Raymond	INED		8/8	N/A
Mr Lo Kwok Hung John	INED		7/8	N/A
Mr Lo Ming Chi Charles	INED	was appointed on 27 October 2008	3/3	N/A
Dr Hui Ka Wah Ronnie	INED	resigned on 27 October 2008	5/5	N/A

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

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

REMUNERATION COMMITTEE

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

- recommendation to the Board on the remuneration policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- determination of the specific remuneration packages of all EDs and senior management based on delegated responsibility, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and recommendations to the Board of the remuneration of NEDs;
- review and approve of performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- review and approve of the compensation payable to EDs and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- review and approve of compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and
- ensure that no Director or any of his associates is involved in deciding his own remuneration.

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

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

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

Member	**Board capacity**	**Appointment/Resignation during the CG Period**	**Attendance**
Mr Cheng Shu Shing Raymond	INED		2/2
Mr Lo Ming Chi Charles	INED	was appointed on 27 October 2008	2/2
Mr Kwan Pak Hoo Bankee	Chairman of the Board		2/2
Dr Hui Ka Wah Ronnie	INED	resigned on 27 October 2008	1/1

Corporate Governance Report

The chairman of the Remuneration Committee since its establishment has been Mr Cheng Shu Shing Raymond.

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

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

REMUNERATION POLICY FOR DIRECTORS

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

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

The remuneration of EDs generally consists of:

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

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

Directors' Remuneration

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

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

Corporate Governance Report

NOMINATION OF DIRECTORS

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

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

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

During the CG Period, 4 meeting(s) was/were held by the EDs in resolving for the re-designation, appointments and resignations of Directors. The attendances of the EDs were as follows:

Director	**Attendance**
Mr Kwan Pak Hoo Bankee	4/4
Mr Chan Chi Ming Benson	4/4
Mr Law Ping Wah Bernard	4/4
Mr Cheng Man Pan Ben	4/4
Mr Yuen Pak Lau Raymond (was appointed on 1 December 2008)	0/0
Mr Wong Kin Yick Kenneth (re-designated from ED to NED on 1 August 2008, and resigned on 29 October 2008)	0/0

AUDIT COMMITTEE

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

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

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

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

Corporate Governance Report

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

Member	Board capacity	Appointment/Resignation during the CG Period	Attendance
Mr Cheng Shu Shing Raymond	INED		5/5
Mr Lo Kwok Hung John	INED		4/5
Mr Lo Ming Chi Charles	INED	was appointed on 27 October 2008	2/2
Dr Hui Ka Wah Ronnie	INED	resigned on 27 October 2008	3/3

The chairman of the Audit Committee had been Mr Cheng Shu Shing Raymond during the CG period.

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

AUDITOR'S REMUNERATION

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

	Fee amount HK$
Audit service	1,800,000
Non-audit services	80,000
Total	1,880,000

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

Corporate Governance Report

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

REVIEW OF INTERNAL CONTROL

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 20 March 2009

Audit Committee Report

The Audit Committee was established on 30 October 2000. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the financial period under review, the Audit Committee comprised all the INEDs of the Company at all times.

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

- reviewed and commented on the financial report of each of the half-yearly and the full year of the Group of the financial period under review before submission to the Board for adoption and publication;

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

- met with the auditor to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the auditor;

- reviewed and approved the remuneration and the terms of engagement of the auditor for both audit service and non-audit services for the financial period under review;

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

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

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

- recommended to the Board for the approval of the unaudited half-yearly financial statements before the announcement of the interim results;

- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the auditor's report there attached, before the announcement of the annual results; and

- recommended to the Board for the proposal for the reappointment of Deloitte Touche Tohmatsu as the auditor of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:
CHENG Shu Shing Raymond *(committee chairman)*
LO Kwok Hung John
LO Ming Chi Charles (was appointed on 27 October 2008)

Hong Kong, 20 March 2009

Directors' Report

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

LISTING ON THE MAIN BOARD

On 3 March 2008, the Company's listing was successfully transferred from GEM (under a stock code of 8122) to the Main Board (under a new stock code of 510).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of (a) online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) margin financing and money lending, and (c) corporate finance.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on pages 43 to 44 of this annual report.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2008 is set out on page 117 of this annual report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

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

As at 31 December 2008, the reserves of the Company available for distribution to shareholders were approximately HK$160,305,000, comprising contributed surplus of HK$159,080,000 and retained profit of HK$1,225,000 and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$309,851,000.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Connected transactions

(a) Proposed acquisition of Hong Kong retail business from CASH

As disclosed in the Company's announcement dated 19 December 2008, the Group entered into a sale and purchase agreement with CGL (a wholly-owned subsidiary of CASH) to acquire 60% of the equity interests in the Retail Group and the loan due from the Retail Group to CGL, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and the Group will be granted a purchaser call option to acquire the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011. The total consideration of approximately HK$300 million (subject to adjustment) was based on PE ratio of 10 times of the estimated net profits of the Retail Group for the year ended 31 December 2008. The final consideration could be adjusted upward or downward based on the audited net profits of the Retail Group for the year ended 31 December 2008. The PE ratio was determined by reference to prospective PE ratio for year 2008 of various companies listed in Hong Kong engaging in the retail business.

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

As CGL is a wholly-owned subsidiary of CASH (the controlling Shareholder) and therefore an associate of CASH, both CASH and CGL are connected persons of the Company within the meaning of the Listing Rules. The proposed acquisition and issue of convertible note(s) constituted a very substantial acquisition and a connected transaction for the Company under the Listing Rules. The aforesaid transactions are conditional upon, inter alia, the approval by the independent Shareholders at a special general meeting to be convened by the Company. This transaction is also disclosed as a related party transaction in notes 22 and 40 to the consolidated financial statements.

(b) Acquisition of CFT from connected persons

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

(2) Continuing connected transactions

(a) Margin Financing Arrangement

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

Details of the maximum amounts of the margin financing facilities granted to the Connected Clients during the year under review are set out in note 26 to the consolidated financial statements. The commission and interest income received from the Connected Clients during the year under review are disclosed in notes 40(a) to (f) to the consolidated financial statements.

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

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

(b) Proposed intra-group transactions

As disclosed in the Company's announcement dated 19 December 2008, the Company, CASH and CRM(HK) entered into three agreements on the same date relating to certain intra-group activities among the groups, subject to conditions, namely (i) provision of financial guarantee by the Company and/or CASH at an annual cap of up to HK$200 million, for assisting the Retail Group to obtain banking facilities from various banks for each of the three financial years ending 31 December 2011 upon the request of such banks; (ii) sub-leasing arrangement by which CASH will sub-lease around 60% of floor area of its office premises to the Retail Group as its office premises at an annual cap of rental (including rent and management fees) of up to HK$5 million in total, for each of the three financial years ending 31 December 2011; and (iii) provision of services, including sales and marketing, advertising, promotional, etc, by the Retail Group at an annual cap of services fees of up to HK$2 million in total, to each of the Group and CASH Group (not including the Group) for each of the three financial years ending 31 December 2011.

All the aforesaid intra-group activities are in the ordinary and usual course of businesses of the Company, CASH and CRM(HK) respectively and are on normal commercial terms. The respective annual caps are determined with reference to the existing utilisation of banking facilities, the rental or various services and the anticipated level of utilisation for the coming three years.

Upon completion of the acquisition of equity interest in CRM(HK) as mentioned in the sub-section headed "Connected transactions (1)(a)" above, CRM(HK) will become a non-wholly-owned subsidiary of the Company, and the remaining 40% of which will continue to be held by CGL (an associate of CASH) (assuming the purchaser call option is not exercised by the Company). As a result, CRM(HK) will become a connected person of the Company. The proposed intra-group transactions will constitute non-exempt continuing connected transactions for the Company under the Listing Rules, and are conditional upon, inter alia, the approval by the independent Shareholders at a special general meeting to be convened by the Company.

The above transactions 1(a) and 2(a) are also disclosed as related party transactions of the Group in notes 22, 26 and 40 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the above connected and continuing connected transaction during the year ended 31 December 2008 and up to the date of this report.

RELATED PARTIES TRANSACTIONS

Save as the connected transactions and continuing connected transactions as disclosed in the above section, the Group also entered into certain transactions as disclosed in note 36(a) which were regarded as related party transactions under the applicable accounting standards. Such related party transactions constituted de minis connected transactions of the Company, but were exempted from the reporting, announcement and independent shareholders' approval requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the related party transactions of the Group during the year.

RAISING OF FUNDS AND USE OF PROCEEDS

The Company did not have any fund raising activity during the year under review. Subsequent to the balance sheet date, on 20 February 2009, the Company announced a proposed 2-for-1 rights issue at a subscription price of HK$0.45 per share to raise approximately HK$92,600,000 capital. The net proceeds to be raised are intended to be used as additional working capital to strengthen the financial position of the Company. Details of the rights issue are set out in the announcements of the Company dated 20 February 2009 and 23 February 2009 and the prospectus dated 19 March 2009.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

The Group had no major supplier due to the nature of principal activities of the Group.

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee	
Chan Chi Ming Benson	
Law Ping Wah Bernard	
Cheng Man Pan Ben	
Yuen Pak Lau Raymond	(was appointed on 1 December 2008)

Non-executive Director:

Wong Kin Yick Kenneth	(re-designated from ED to NED on 1 August 2008, and resigned on 29 October 2008)

Independent Non-executive Directors:

Cheng Shu Shing Raymond	
Lo Kwok Hung John	
Lo Ming Chi Charles	(was appointed on 27 October 2008)
Hui Ka Wah Ronnie	(resigned on 27 October 2008)

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

(i) Mr Kwan Pak Hoo Bankee and Mr Cheng Man Pan Ben, being EDs, shall retire at least once in every 3 years at the annual general meeting of the Company in accordance with their terms of office of directorship;

(ii) Mr Yuen Pak Lau Raymond, being newly appointed ED, shall retire at the annual general meeting of the Company in accordance with the bye-laws of the Company; and

(iii) Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as the Margin Financing Arrangement, no Director had a material interest in any significant contract to the business of the Group to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party during the year or as at the end of the year under review.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 39 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES

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

A. The Company

(a) Long positions in the Shares

Name	Capacity	Number of Shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	1,988,000	210,080,799*	51.55
Law Ping Wah Bernard	Beneficial owner	6,513,920	—	1.58
Cheng Man Pan Ben	Beneficial owner	222,240	—	0.05
Yuen Pak Lau Raymond	Interest of his spouse	—	200	0.00
Lo Kwok Hung John	Beneficial owner	186,000	—	0.05
		8,910,160	210,080,999	53.23

* The Shares were held as to 198,771,039 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH), and as to 11,309,760 Shares by Cash Guardian. CASH was owned as to approximately 36.78% by Cash Guardian. Mr Kwan was deemed to be interested in all these Shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Aggregate long positions in the Shares and the underlying shares

Name	Number of Shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2008 (%)
Kwan Pak Hoo Bankee	212,068,799	—	212,068,799	51.55
Law Ping Wah Bernard	6,513,920	—	6,513,920	1.58
Cheng Man Pan Ben	222,240	—	222,240	0.05
Yuen Pak Lau Raymond	200	—	200	0.00
Lo Kwok Hung John	186,000	—	186,000	0.05
	218,991,159	—	218,991,159	53.23

B. Associated corporation (within the meaning of SFO)

CASH

(a) *Long positions in the ordinary shares*

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding
				(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	66,398,512*	36.78
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	3.76
Cheng Man Pan Ben	Beneficial owner	12,700	—	0.01
Yuen Pak Lau Raymond	Beneficial owner	650,000	—	0.36
		7,446,760	66,398,512	40.91

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

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

Name	Date of grant	Exercise period	Exercise price per share (HK$) (Note (1))	Number of options: outstanding as at 1 January 2008	Number of options: adjusted on 6 June 2008 (Note (1))	Number of options: lapsed during the year	Number of options: upon change of directorate (Note (3))	Number of options: outstanding as at 31 December 2008	Percentage to issued shares as at 31 December 2008 (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006–12/11/2008	1.615	4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450	2,500,000	(2,000,000)	—	—	500,000	0.28
Law Ping Wah Bernard	13/11/2006	13/11/2006–12/11/2008	1.615	4,000,000	(3,200,000)	(800,000)	—	—	—
	6/6/2007	6/6/2007–31/5/2009	2.450	2,500,000	(2,000,000)	—	—	500,000	0.28
Cheng Man Pan Ben	6/6/2007	6/6/2007–31/5/2009	2.450	6,500,000	(5,200,000)	—	—	1,300,000	0.72
Yuen Pak Lau Raymond	6/6/2007	6/6/2007–31/5/2009	2.450	N/A	N/A	N/A	500,000	500,000	0.28
Wong Kin Yick Kenneth	13/11/2006	13/11/2006–12/11/2008	1.615	4,000,000	(3,200,000)	(800,000)	—	N/A	N/A
	6/6/2007	6/6/2007–31/5/2009	2.450	2,500,000	(2,000,000)	—	(500,000)	N/A	N/A
				26,000,000	(20,800,000)	(2,400,000)	—	2,800,000	1.56

Notes:

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

(2) The options are held by the directors in the capacity of beneficial owners.

(3) Mr Wong Kin Yick Kenneth resigned as a non-executive director of the Company on 29 October 2008 and Mr Yuen Pak Lau Raymond was appointed as an executive director of the Company on 1 December 2008.

(c) *Aggregate long positions in the ordinary shares and the underlying shares*

Name	**Number of shares**	**Number of underlying shares**	**Aggregate in number**	**Percentage to issued shares as at 31 December 2008** (%)
Kwan Pak Hoo Bankee	66,398,512	500,000	66,898,512	37.06
Law Ping Wah Bernard	6,784,060	500,000	7,284,060	4.04
Cheng Man Pan Ben	12,700	1,300,000	1,312,700	0.73
Yuen Pak Lau Raymond	650,000	500,000	1,150,000	0.64
	73,845,272	2,800,000	76,645,272	42.47

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

SHARE OPTION SCHEMES

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

Particulars of the terms of the New Option Scheme and the Option Scheme, and the details of movements in the share options to subscribe for Shares granted under the Option Scheme during the year are set out in note 38(A) to the consolidated financial statements. No option has been granted under the New Option Scheme as at the date of this report.

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of Shares	Shareholding (%)
Jeffnet Inc (Note (1))	Trustee of a discretionary trust	210,080,799	51.06
Cash Guardian (Note (1))	Interest in a controlled corporation	210,080,799	51.06
CASH (Note (1))	Interest in a controlled corporation	198,771,039	48.32
Praise Joy Limited (Note (1))	Interest in a controlled corporation	198,771,039	48.32
CIGL (Note (1))	Beneficial owner	198,771,039	48.32
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	64,372,480	15.65
ARTAR (Note (2))	Beneficial owner	64,372,480	15.65

Notes:

(1) This refers to the same number of 210,080,799 Shares which were held as to 198,771,039 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH) and as to 11,309,760 Shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 36.78% by Cash Guardian. Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.

(2) This refers to the same number of 64,372,480 Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the Shares held by ARTAR.

(3) Mr Kwan (a Director whose interests are not shown in the above table) was interested and/or deemed to be interested in a total of 212,068,799 Shares (51.55%), which were held as to 198,771,039 Shares by CIGL, as to 11,309,760 Shares by Cash Guardian and as to 1,988,000 Shares in his personal name.

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

Directors' Report

COMPETING INTERESTS

None of the Directors had any interest in a business which competes or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2008, the Company purchased a total of 4,392,000 Shares of HK$0.10 each in its own issued share capital on the Stock Exchange and such Shares were then subsequently cancelled. The Directors believe that such purchases would help enhancing the assets and earnings per share of the Company and would benefit the Company and the Shareholders as a whole. Details of the repurchase of shares are summarised as follows:

		Repurchase price per Share		
Month/Year	**Number of**	**Highest**	**Lowest**	**Approximate**
		HK$	HK$	HK$'000
June 2008	2,586,000	2.90	2.70	7,217
July 2008	948,000	2.74	2.38	2,387
October 2008	858,000	1.60	1.38	1,300
Total	4,392,000			10,904

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$5.4 million.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 43 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

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

Directors' Report

AUDITOR

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 20 March 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CASH Financial Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 116, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
20 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Continuing operations			
Revenue	7	**324,651**	666,378
Other operating income		**5,260**	1,859
Salaries, commission and related benefits	9	**(151,110)**	(247,980)
Depreciation		**(15,655)**	(7,403)
Finance costs	10	**(20,134)**	(91,844)
Other operating and administrative expenses		**(100,649)**	(133,363)
Net (losses) gains on financial assets at fair value through profit or loss	6	**(172,117)**	20,334
Net increase in fair value on derivative financial instruments	6	**8,734**	—
Share of profit (loss) of an associate	24	**39,096**	(3,370)
(Loss) profit before taxation		**(81,924)**	204,611
Taxation charge	13	**(4,294)**	(28,825)
(Loss) profit for the year from continuing operations		**(86,218)**	175,786
Discontinued operations			
Profit for the year from discontinued operations	14	**—**	30,904
(Loss) profit for the year	15	**(86,218)**	206,690
Attributable to:			
Equity holders of the Company		**(99,595)**	207,779
Minority interests			
— Continuing operations		**13,377**	(617)
— Discontinued operations		**—**	(472)
		(86,218)	206,690
Dividend:			
Proposed final dividend (31 December 2008: nil; 31 December 2007: HK$0.03 per ordinary share based on 2,076,972,027 shares)		**—**	62,309
Dividends recognised as distribution during the year — 2008 Interim — HK$0.10 per ordinary share (2007: HK$0.02 per ordinary share) — 2007 Final — HK$0.03 per ordinary share (2006: HK$0.02 per ordinary share)		**103,566**	57,333

Consolidated Income Statement

For the year ended 31 December 2008

	NOTE	**2008**	2007 (restated)
(Loss) earnings per share	16		
From continuing and discontinued operations:			
— Basic		**(24.1) HK cents**	61.3 HK cents
— Diluted		**—**	60.6 HK cents
From continuing operations:			
— Basic		**(24.1) HK cents**	52.0 HK cents
— Diluted		**—**	51.4 HK cents
From discontinued operations:			
— Basic		**—**	9.3 HK cents
— Diluted		**—**	9.1 HK cents

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property and equipment	17	**108,164**	24,787
Investment property	18	**—**	5,000
Goodwill	19	**4,933**	4,933
Intangible assets	20	**11,062**	12,392
Other assets	22	**132,718**	9,136
Loans receivable	23	**192**	176
Interests in associates	24	**111,684**	65,778
Loan to an associate	24	**10,296**	10,296
Amounts receivable on disposal of subsidiaries	25	**—**	162,703
		379,049	295,201
Current assets			
Amounts receivable on disposal of subsidiaries	25	**171,498**	—
Accounts receivable	26	**304,042**	931,595
Loans receivable	23	**13,629**	28,867
Prepayments, deposits and other receivables		**22,864**	28,218
Amount due from an associate	25	**260**	260
Amounts due from fellow subsidiaries	25	**341**	447
Tax recoverable		**1,230**	—
Investments held for trading	27	**79,155**	59,271
Deposits with brokers	25	**2,730**	69,188
Bank deposits subject to conditions	28	**35,180**	28,675
Bank balances — trust and segregated accounts	25	**542,079**	928,527
Bank balances (general accounts) and cash	25	**175,201**	256,668
		1,348,209	2,331,716
Current liabilities			
Accounts payable	29	**689,175**	1,379,521
Accrued liabilities and other payables		**46,482**	68,534
Derivative financial liabilities	33	**3,067**	—
Taxation payable		**20,172**	20,993
Obligations under finance leases — amount due within one year	30	**127**	—
Bank borrowings — amount due within one year	31	**195,253**	231,066
Loan from a minority shareholder	25	**27,437**	27,437
		981,713	1,727,551
Net current assets		**366,496**	604,165
		745,545	899,366

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	32	**41,140**	207,697
Reserves		**648,153**	690,668
Equity attributable to equity holders of the Company		**689,293**	898,365
Minority interests		**16,762**	1,001
Total equity		**706,055**	899,366
Non-current liabilities			
Deferred tax liabilities	13	**2,342**	—
Obligations under finance leases			
— amount due after one year	30	**315**	—
Bank borrowings — amount due after one year	31	**36,833**	—
		39,490	—
		745,545	899,366

The financial statements on pages 43 to 116 were approved and authorised for issue by the board of directors on 20 March 2009 and are signed on its behalf by:

KWAN PAK HOO BANKEE
DIRECTOR

LAW PING WAH BERNARD
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Contributed surplus** HK$'000 (Note a)	**Share-based payment reserve** HK$'000	**Translation reserve** HK$'000	**(Accumulated losses) retained earnings** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2007	138,205	220,970	128,550	2,496	(288)	(10,102)	479,831	3,761	483,592
Profit for the year	—	—	—	—	—	207,779	207,779	(1,089)	206,690
Share of translation reserve of associate	—	—	—	—	855	—	855	460	1,315
Total recognised income and expense for the year	—	—	—	—	855	207,779	208,634	(629)	208,005
Issue of new shares (Note b)	10,150	21,419	—	(1,525)	—	—	30,044	—	30,044
Issue of new shares due to rights issue (Note c)	59,342	178,026	—	—	—	—	237,368	—	237,368
Transaction costs attributable to issue of new shares	—	(467)	—	—	—	—	(467)	—	(467)
Amount transferred to retained earnings as a result of expiration of share option	—	—	—	(883)	—	883	—	—	—
Release on disposal of subsidiaries	—	—	—	—	288	—	288	(2,131)	(1,843)
2006 final dividends paid	—	—	—	—	—	(27,661)	(27,661)	—	(27,661)
2007 interim dividends paid	—	—	—	—	—	(29,672)	(29,672)	—	(29,672)
Amount transferred from share premium to contributed surplus (Note d)	—	(100,000)	100,000	—	—	—	—	—	—
Amount transferred to set off accumulated losses (Note e)	—	—	(58,000)	—	—	58,000	—	—	—
At 31 December 2007 and 1 January 2008	207,697	319,948	170,550	88	855	199,227	898,365	1,001	899,366
Loss for the year	—	—	—	—	—	(99,595)	(99,595)	13,377	(86,218)
Share of translation reserve of associate	—	—	—	—	4,426	—	4,426	2,384	6,810
Exchange differences arising on translation of foreign operations	—	—	—	—	79	—	79	—	79
Total recognised income and expense for the year	—	—	—	—	4,505	(99,595)	(95,090)	15,761	(79,329)
Issue of new shares (Note f)	120	408	—	—	—	—	528	—	528
Reduction of shares due to share consolidation and capital reduction (Note g)	(166,238)	—	166,238	—	—	—	—	—	—
Share repurchases	(439)	(10,465)	—	—	—	—	(10,904)	—	(10,904)
Transaction costs attributable to issue of new shares	—	(40)	—	—	—	—	(40)	—	(40)
Amount transferred to retained earnings as a result of expiration of share option	—	—	—	(88)	—	88	—	—	—
2007 final dividends paid	—	—	—	—	—	(62,339)	(62,339)	—	(62,339)
2008 interim dividends paid	—	—	—	—	—	(41,227)	(41,227)	—	(41,227)
Amount transferred to set off accumulated losses (Note h)	—	—	(60,000)	—	—	60,000	—	—	—
At 31 December 2008	**41,140**	**309,851**	**276,788**	**—**	**5,360**	**56,154**	**689,293**	**16,762**	**706,055**

Notes:

(a) 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 eliminate accumulated losses.

(b) (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 2008 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$18,559,200. These shares rank pari passu in all respects with other shares in issue.

(iii) In August 2007, 2,600,000 share options and 35,200,000 share options respectively were exercised at an exercise price of HK$0.296 per share, resulting in the issue of 2,600,000 shares and 35,200,000 shares of HK$0.10 each on 7 August 2007 and 13 August 2007 respectively for a total consideration (before expenses) of HK$11,188,800. These shares rank pari passu in all respects with other shares in issue.

(c) On 21 November 2007, 593,420,579 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share. The gross proceeds before expenses were approximately HK$237,368,000.

(d) Pursuant to a minute of an annual general meeting held on 1 June 2007, an amount of HK$100,000,000 was transferred from the share premium account to contributed surplus account where it may be utilised in accordance with the bye-laws of the Company and all the applicable laws.

(e) (i) Pursuant to 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$27,661,000.

(ii) Pursuant to a minute of a board of directors' meeting held on 3 September 2007, an amount of HK$30,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company for the payment of 2007 interim dividend of HK$29,672,000.

(f) On 24 April 2008 and 15 July 2008, 1,000,000 share options and 203,000 share options were exercised at an exercise price of HK$0.262 each and HK$1.310 each respectively, resulting in the issue of a total of 1,203,000 new shares of HK$0.10 each for a total consideration (before expenses) of HK$528,000. These shares rank pari passu in all respects with other shares in issue.

(g) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 30 April 2008, the Company, with effect from 2 May 2008:

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

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

(iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK$166,238,000 to the contributed surplus account.

(h) Pursuant to a minute of a board of directors' meeting held on 3 September 2008, an amount of HK$60,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company for the payment of 2008 interim dividend of HK$41,227,000.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss) profit before taxation		**(81,924)**	235,515
Adjustments for:			
Advertising and telecommunication services expenses	35	**—**	2,233
Allowance for bad and doubtful debt		**900**	1,339
Bad debt on accounts and loans receivable written off directly		**177**	227
Amortisation of intangible assets		**—**	1,731
Depreciation of property and equipment		**15,655**	9,809
Interest income arising from accounts receivable on disposal of subsidiaries		**(8,795)**	—
Interest expense		**20,134**	91,928
Gain on disposal of subsidiaries	37	**—**	(41,701)
Fair value change on investment property		**(823)**	—
Loss (gain) on disposal of intangible asset		**830**	(9)
Gain on disposal of property and equipment		**(35)**	—
Realised loss on equity-linked structured deposits		**29,905**	—
Impairment loss on amount due from an associate		**—**	4,075
Share of (profit) loss of an associate		**(39,096)**	3,370
Operating cash (outflows) inflows before movements in working capital		**(63,072)**	308,517
Increase in inventories		**—**	(676)
Decrease (increase) in accounts receivable		**627,376**	(151,142)
Decrease (increase) in loans receivable		**14,322**	(10,011)
Decrease (increase) in prepayments, deposits and other receivables		**5,354**	(34,645)
Decrease (increase) in deposits with brokers		**64,902**	(69,188)
Increase in amount due from an associate		**—**	(4,519)
Increase in amounts due from fellow subsidiaries		**440**	3,016
Increase in investments held for trading		**(28,143)**	(4,954)
Increase in derivative financial liabilities		**(8,734)**	—
Decrease in equity-linked structured deposits		**28,507**	—
Decrease (increase) in bank balances — trust and segregated accounts		**386,448**	(353,950)
(Decrease) increase in accounts payable		**(690,346)**	447,656
(Decrease) increase in accrued liabilities and other payables		**(22,052)**	62,980
Increase in deferred revenue		**—**	9,942
Cash from operations		**315,002**	203,026
Income taxes paid		**(4,003)**	(10,685)
Net cash from operating activities		**310,999**	192,341

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Investing activities			
Investment in an associate		—	(67,833)
Increase in loan to an associate		—	(10,296)
Disposal of subsidiaries	37	—	(35,976)
Acquisition of subsidiaries	36(a)	(105)	37
Increase in bank deposits subject to conditions		(6,505)	(862)
Statutory and other deposits (paid) refunded		(311)	7,105
Purchases of property and equipment		(98,254)	(10,728)
Proceeds on disposal of property and equipment		35	—
Proceeds on disposal of intangible assets		500	1,769
Proceeds on disposal of investment property		5,823	—
Deposits paid for acquisition of fellow subsidiaries	22	(60,000)	—
Receipt on amounts receivable on disposal of subsidiaries		—	9,855
Net cash used in investing activities		(158,817)	(106,929)
Financing activities			
Increase in loan from a minority shareholder		—	27,437
Increase (decrease) in bank overdrafts		12,957	(87,281)
(Decrease) increase in bank loans		(76,613)	40,520
Repayment of loan payable		(35,853)	—
Payment of repurchase of shares		(10,904)	—
Proceeds on issue of shares		528	267,412
Share issue expenses		(40)	(467)
Dividends paid		(103,566)	(57,333)
Interest paid on bank borrowings		(20,125)	(91,923)
Interest paid on obligations under finance leases		(9)	(5)
Repayment of obligations under finance leases		(103)	(330)
Net cash (used in) from financing activities		(233,728)	98,030
Net (decrease) increase in cash and cash equivalents		(81,546)	183,442
Cash and cash equivalents at beginning of year		256,668	73,226
Effect of change in foreign exchange rate		79	—
Cash and cash equivalents at end of year		175,201	256,668
Bank balances (general accounts) and cash		175,201	256,668

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its immediate holding company is Celestial Investment Group Limited ("CIGL"), a limited company incorporated in the British Virgin Islands. Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Main Board of 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 Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Group are 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, and (c) corporate finance. In 2007, the operations of online game and related services were discontinued (see note 14).

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

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

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

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

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

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

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

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

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

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

[4] Effective for annual periods beginning on or after 1 July 2008.

[5] Effective for annual periods beginning on or after 1 October 2008.

[6] Effective for transfers on or after 1 July 2009.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

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

Business combinations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

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

Such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

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

Investments in associates

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

- Online game 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

An investment property is a property held to earn rentals and/or for capital appreciation.

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

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

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, 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 year, 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 plan/state-managed retirement benefits schemes/the Mandatory Provident Fund Scheme 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Effective interest method

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loan to an associate, other receivables, deposits paid for acquisition of fellow subsidiaries, amounts due from associate and fellow subsidiaries, amounts receivable on disposal of subsidiaries, deposits with brokers, bank balances and deposits) 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;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as loans receivable and accounts receivable 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 accounts receivable and loans receivable where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the accounts receivable and loans receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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 Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. When the Company reacquires its own equity instruments, those instruments shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue on cancellation of the Company's own equity instruments.

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an 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 revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates during the vesting period, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, the management has made various estimates based on past experience, expectations of the future and other information. The key source of estimation uncertainty that may significantly affect the amounts recognised in the consolidated financial statements within the next financial year is disclosed below.

Allowance for bad and doubtful debts

The policy for allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of debtors and their ability to make payments worsen, additional allowance may be required. As at 31 December 2008, the aggregate carrying amount of accounts and loans receivable and other amounts receivable is HK$328,159,000 (2007: HK$970,934,000) (net of allowance for bad and doubtful debts).

5. CAPITAL RISK MANAGEMENT

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 31, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 32, 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 year.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with certain minimum capital requirements according to the Hong Kong Securities and Futures Ordinance. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure the compliance of the minimum liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules.

6. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Fair value through profit or loss — held-for-trading	**79,155**	59,271
Loans and receivables (including cash and cash equivalents)	**1,316,747**	2,426,222
Financial liabilities		
Amortised cost	**965,877**	1,644,066
Derivative financial liabilities	**3,067**	—

(ii) Net (losses) gains on financial assets at fair value through profit or loss

	2008 **HK$'000**	2007 HK$'000
Held-for-trading investments		
— Equity securities listed in Hong Kong	**(141,290)**	20,121
— Investment funds	**(922)**	213
Designated at fair value through profit or loss		
— Equity-linked structured deposits (Note 34)	**(29,905)**	—
	(172,117)	20,334

(iii) Net increase in fair value on derivative financial instrument

	2008 **HK$'000**	2007 HK$'000
Equity-linked derivative contracts (Note 33)	**8,734**	—

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

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

Market risk

Equity price risk

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

Equity price sensitivity

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

As at 31 December 2008, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss would decrease/increase by HK$23,747,000 (2007: the Group's profit would increase/decrease by HK$17,781,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 100 (2007: 100) basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. As at 31 December 2008, if the interest rate of bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's loss would decrease/increase by HK$1,509,000 (2007: the Group's profit would increase/decrease by HK$4,925,000). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises.

More than 99% of financial assets and financial liabilities of the Group are denominated in US$ or HK$. As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the balance sheet date.

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage, financing and corporate finance 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. 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 deposits paid for acquisition of fellow subsidiaries and 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. CIGL, a wholly owned subsidiary of CASH, is financially supported by CASH. Accordingly, the directors of the Company consider the credit risk is minimal in the view of financial background of CASH.

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

Liquidity risk

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

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

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

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008										
Accounts payable	N/A	542,079	147,096	—	—	—	—	—	689,175	689,175
Other payables	N/A	—	16,737	—	—	—	—	—	16,737	16,737
Bank borrowings	Note	—	15,067	—	184,173	1,374	4,756	42,416	247,786	232,086
Loan from a minority shareholder	N/A	—	27,437	—	—	—	—	—	27,437	27,437
Obligations under finance leases	6%	—	10	21	100	147	218	—	496	442
		542,079	206,347	21	184,273	1,521	4,974	42,416	981,631	965,877
At 31 December 2007										
Accounts payable	N/A	928,527	450,994	—	—	—	—	—	1,379,521	1,379,521
Other payables	N/A	—	6,042	—	—	—	—	—	6,042	6,042
Bank borrowings	Note	—	1	106	239,621	—	—	—	239,728	231,066
Loan from a minority shareholder	N/A	—	27,437	—	—	—	—	—	27,437	27,437
		928,527	484,474	106	239,621	—	—	—	1,652,728	1,644,066

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

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

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

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 2 years	Over 2 years	Undated	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008										
Investments held for trading	N/A	—	79,155	—	—	—	—	—	79,155	79,155
Amounts receivable on disposal of subsidiaries	Hong Kong Prime Rate (Note 2)	—	—	—	175,071	—	—	—	175,071	171,498
Deposits paid for acquisition of fellow subsidiaries	N/A (Note 4)	—	—	—	—	—	—	60,000	60,000	60,000
Accounts receivable	Hong Kong Prime Rate plus spread (Note 2)	97,858	206,869	—	—	—	—	—	304,727	304,042
Loan to an associate	N/A (Note 1)	—	—	—	—	—	—	10,296	10,296	10,296
Loans receivable	Hong Kong Prime Rate plus spread (Note 2)	—	—	10,083	3,743	201	—	—	14,027	13,821
Other receivables	N/A	—	1,299	—	—	—	—	—	1,299	1,299
Amount due from an associate	N/A	—	260	—	—	—	—	—	260	260
Amounts due from fellow subsidiaries	N/A	—	341	—	—	—	—	—	341	341
Deposits with brokers	0.5%	—	2,731	—	—	—	—	—	2,731	2,730
Bank balances with fixed interest rate	0.01%–1%	—	49,461	82,041	92,869	—	—	—	224,371	224,161
Bank balance with variable interest rate	0.01%–1%	—	64,096	—	—	—	—	—	64,096	64,027
Bank balance without interest-bearing	N/A	464,272	—	—	—	—	—	—	464,272	464,272
		562,130	404,212	92,124	271,683	201	—	70,296	1,400,646	1,395,902

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

	Weighted average effective interest rate	Repayable on demand	Less than 1 month	Between 1 to 3 months	Between 3 months to 1 year	Between 1 to 2 years	Over 2 years	Undated	Total undiscounted cash flows	Carrying amount at balance sheet date
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2007										
Investments held for trading	N/A	—	59,271	—	—	—	—	—	59,271	59,271
Amounts receivable on disposal of subsidiaries	Hong Kong Prime Rate (Note 2)	—	—	—	—	179,204	—	—	179,204	162,703
Accounts receivable	Hong Kong Prime Rate plus spread (Note 2)	452,624	482,486	—	—	—	—	—	935,110	931,595
Loans receivable	(Note 3)	—	28,931	—	161	130	69	—	29,291	29,043
Loan to an associate	N/A (Note 1)	—	—	—	—	—	—	10,296	10,296	10,296
Other receivables	N/A	—	8,820	—	—	—	—	—	8,820	8,820
Amount due from an associate	N/A	—	260	—	—	—	—	—	260	260
Amounts due from fellow subsidiaries	N/A	—	447	—	—	—	—	—	447	447
Deposits with brokers	1.5%	—	69,274	—	—	—	—	—	69,274	69,188
Bank balances with fixed interest rate	1.5%–3.5%	—	301,376	346,854	28,759	—	—	—	676,989	670,364
Bank balance with variable interest rate	1.5%–3.5%	—	62,830	—	—	—	—	—	62,830	62,255
Bank balance without interest-bearing	N/A	481,251	—	—	—	—	—	—	481,251	481,251
		933,875	1,013,695	346,854	28,920	179,334	69	10,296	2,513,043	2,485,493

Notes:

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

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

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

(4) The deposits were paid for the acquisition of fellow subsidiaries and may be refundable if the transaction is not approved by the independent shareholders of the Company.

Fair values

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

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

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

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

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

7. REVENUE

	2008 HK$'000	2007 HK$'000
Continuing operations:		
Fees and commission income	**278,464**	511,881
Interest income	**46,187**	154,497
	324,651	666,378
Discontinued operations:		
Online game income	—	23,309
Sales of online game auxiliary products	—	9,738
Licensing income	—	2,064
	—	35,111

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities for the year are as follows:

Broking — Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products

Financing — Provision of margin financing and money lending services

Corporate finance — Provision of corporate finance services

The Group was also involved in the provision of online game services, sales of online game auxiliary products and licensing services up to 31 May 2007. This online game division was disposed of and discontinued on 1 June 2007 as mentioned in notes 14 and 37.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

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

Consolidated income statement for the year ended 31 December 2008

	Continuing operations				Discontinued operations	
	Broking HK$'000	**Financing** HK$'000	**Corporate finance** HK$'000	**Total** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
Revenue	270,878	46,187	7,586	324,651	—	324,651
RESULT						
Segment profit	47,513	14,729	79	62,321	—	62,321
Other operating income				5,260	—	5,260
Share of profit of an associate				39,096	—	39,096
Unallocated corporate expenses				(25,218)	—	(25,218)
Net losses on financial assets at fair value through profit or loss				(172,117)	—	(172,117)
Net increase in fair value on derivative financial instruments				8,734	—	8,734
Loss before taxation				(81,924)	—	(81,924)
Taxation charge				(4,294)	—	(4,294)
Loss for the year				(86,218)	—	(86,218)

Consolidated balance sheet as at 31 December 2008

	Continuing operations				Discontinued operations	
	Broking HK$'000	**Financing** HK$'000	**Corporate finance** HK$'000	**Total** HK$'000	**Online game services** HK$'000	**Consolidated** HK$'000
ASSETS						
Segment assets	976,755	246,287	11,272	1,234,314	—	1,234,314
Interests in associates						111,684
Unallocated corporate assets						381,260
Consolidated total assets						1,727,258
LIABILITIES						
Segment liabilities	696,605	212,386	551	909,542	—	909,542
Unallocated corporate liabilities						111,661
Consolidated total liabilities						1,021,203

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31 December 2008

	Continuing operations					Discontinued operations	
	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Unallocated HK$'000	Total HK$'000	Online game services HK$'000	Consolidated HK$'000
Additions to property and equipment	71,921	—	—	26,878	98,799	—	98,799
Allowance for bad and doubtful debts	—	900	—	—	900	—	900
Depreciation of property and equipment	5,904	—	—	9,751	15,655	—	15,655

Consolidated income statement for the year ended 31 December 2007

	Continuing operations				Discontinued operations	
	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Total HK$'000	Online game services HK$'000	Consolidated HK$'000
Revenue	502,039	154,497	9,842	666,378	35,111	701,489
RESULT						
Segment profit (loss)	164,639	36,227	(1,861)	199,005	(7,528)	191,477
Net gains on financial assets at fair value through profit or loss				20,334	—	20,334
Other operating income				1,859	336	2,195
Gain on disposal of subsidiaries				—	41,701	41,701
Share of loss of an associate				(3,370)	—	(3,370)
Unallocated corporate expenses				(13,217)	(3,605)	(16,822)
Profit before taxation				204,611	30,904	235,515
Taxation charge				(28,825)	—	(28,825)
Profit for the year				175,786	30,904	206,690

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Consolidated balance sheet as at 31 December 2007

	Continuing operations				Discontinued operations	
	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Total HK$'000	Online game services HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	1,495,624	780,602	12,197	2,288,423	—	2,288,423
Interests in associates						65,778
Unallocated corporate assets						272,716
Consolidated total assets						2,626,917
LIABILITIES						
Segment liabilities	1,164,302	489,678	409	1,654,389	—	1,654,389
Unallocated corporate liabilities						73,162
Consolidated total liabilities						1,727,551

Other information for the year ended 31 December 2007

	Continuing operations					Discontinued operations	
	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Unallocated HK$'000	Total HK$'000	Online game services HK$'000	Consolidated HK$'000
Additions to property and equipment	39	—	—	5,006	5,045	5,683	10,728
Allowance for bad and doubtful debts	1,041	298	—	—	1,339	—	1,339
Depreciation of property and equipment	59	—	—	7,344	7,403	2,406	9,809
Amortisation of intangible assets	—	—	—	—	—	1,731	1,731

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). For the activities of broking, financing and corporate finance, they are based in Hong Kong and PRC and the revenue of these activities for the year ended 31 December 2008 and 31 December 2007 are derived from Hong Kong. The online game services were mainly based in the PRC and Taiwan and the relevant revenue for the year ended 31 December 2007 were derived mainly from the PRC and Taiwan.

The Group's segment revenue from external customers cannot be allocated based on geographic location of its customers. The following table provides an analysis of the Group's revenue by geographical market based on location of operations:

	2008 **HK$'000**	2007 HK$'000
Continuing operations:		
Hong Kong	**324,651**	666,378
Discontinued operations:		
PRC	**—**	27,781
Taiwan	**—**	7,330
	—	35,111
	324,651	701,489

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

	2008 **HK$'000**	2007 HK$'000
Continuing operations:		
Hong Kong	**1,165,853**	2,288,423
PRC	**68,461**	—
	1,234,314	2,288,423
Discontinued operations:		
PRC	**—**	—
Taiwan	**—**	—
	—	—
	—	2,288,423

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

Additions to property and equipment

	2008 HK$'000	2007 HK$'000
Continuing operations:		
Hong Kong	**26,878**	5,045
PRC	**71,921**	—
	98,799	5,045
Discontinued operations		
PRC	—	1,824
Taiwan	—	3,859
	—	5,683
	98,799	10,728

9. SALARIES, COMMISSION AND RELATED BENEFITS

	2008 HK$'000	2007 HK$'000
Salaries, allowances and commission represent the amounts paid and payable to the directors of the Company and employees and account executives and comprise:		
Continuing operations:		
Salaries, allowances and commission	**147,682**	245,220
Contributions to retirement benefits schemes	**3,428**	2,760
	151,110	247,980
Discontinued operations:		
Salaries, allowances and commission	—	10,027
Contributions to retirement benefits schemes	—	638
	—	10,665

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Continuing operations:		
Interest on:		
Bank overdrafts and borrowings:		
— repayable within five years	**19,494**	91,839
— repayable more than five years	**631**	—
Finance leases	**9**	5
	20,134	91,844
Discontinued operations:		
Interest on bank overdrafts and borrowings wholly repayable within five years	**—**	84

11. DIRECTORS' REMUNERATION

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

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Yuen Pak Lau Raymond HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Lo Ming Chi Charles HK$'000	Hui Ka Wah Ronnie HK$'000	2008 Total HK$'000
Fees:											
Executive directors	—	—	—	—	—	—	—	—	—	—	—
Independent non-executive directors	—	—	—	—	—	—	100	100	25	84	309
Other remuneration paid to executive directors:											
Salaries, allowances and benefits in kind	1,260	1,920	920	1,262	55	1,156	—	—	—	—	6,573
Contributions to retirement benefit scheme	63	98	46	63	3	58	—	—	—	—	331
Total remuneration	1,323	2,018	966	1,325	58	1,214	100	100	25	84	7,213

11. DIRECTORS' REMUNERATION (continued)

	Kwan Pak Hoo Bankee HK$'000	Chan Chi Ming Benson HK$'000	Law Ping Wah Bernard HK$'000	Cheng Man Pan Ben HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Shu Shing Raymond HK$'000	Lo Kwok Hung John HK$'000	Hui Ka Wah Ronnie HK$'000	2007 Total 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	420	431	990	958	1,850	—	—	—	4,649
Discretionary bonus (Note)	—	—	—	430	—	—	—	—	430
Contributions to retirement benefit scheme	17	21	44	47	77	—	—	—	206
Total remuneration	437	452	1,034	1,435	1,927	100	100	100	5,585

Note: The discretionary bonus is determined by reference to the individual performance of directors and approved by Remuneration Committee Meeting.

During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as an executive director and Mr Yuen Pak Lau Raymond was appointed as an executive director. In addition, Dr Hui Ka Wah Ronnie resigned as an independent non-executive director and Mr Lo Ming Chi Charles was appointed as an independent non-executive director.

During the year ended 31 December 2007, Mr Chan Chi Ming Benson was appointed as an executive director.

During the year, 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 year.

12. EMPLOYEES' REMUNERATION

Three (2007: one) of the five individuals with the highest emoluments in the Group were directors of the Company for the year ended 31 December 2008. Details of these directors' emolument are included in the disclosures in note 11 above. The emoluments of the remaining two (2007: four) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**2,040**	3,325
Contributions to retirement benefit scheme	**75**	176
Performance related incentive payments	**463**	14,144
Discretionary bonus	**—**	902
	2,578	18,547

12. EMPLOYEES' REMUNERATION (continued)

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

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

During the year, 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

	2008	2007
	HK$'000	HK$'000
Continuing operations:		
Current tax:		
— Hong Kong	**(2,154)**	(27,635)
Overprovision in prior years	**202**	385
Deferred taxation	**(2,342)**	(1,575)
	(4,294)	(28,825)

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain subsidiaries of the Company operated in the PRC and Taiwan and were disposed of by the Group in 2007, as disclosed in note 14, were 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). No provision for the PRC income tax has been made as they had incurred tax losses in 2007. Also, no provision for taxation had been made for subsidiary located in Taiwan as no assessable profit is arisen in 2007.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The relevant tax rate for the Group's remaining subsidiaries in the PRC is 25%.

13. TAXATION CHARGE (continued)

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

	2008 HK$'000	2007 HK$'000
(Loss) profit before taxation:		
Continuing operations	**(81,924)**	204,611
Discontinued operations	**—**	30,904
	(81,924)	235,515
Taxation at income tax rate of 16.5% (2007: 17.5%)	**13,517**	(41,215)
Tax effect of share of gain (loss) of associate	**6,451**	(590)
Overprovision in respect of prior years	**202**	385
Tax effect of expenses not deductible for tax purpose	**(2,738)**	(2,775)
Tax effect of income not taxable for tax purpose	**3,409**	9,300
Tax effect of utilisation of estimated tax losses previously not recognised	**6,184**	10,736
Tax effect of estimated tax losses not recognised	**(32,610)**	(2,707)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**1,100**	(230)
Overprovision of deferred tax assets	**—**	(1,575)
Other differences	**191**	(154)
Taxation for the year	**(4,294)**	(28,825)

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

	Accelerated tax depreciation HK$'000	**Estimated tax losses** HK$'000	**Intangible asset** HK$'000	**Total** HK$'000
At 1 January 2007	(771)	2,346	(1,844)	(269)
Eliminated on disposal of subsidiaries (note 37)	—	—	1,844	1,844
Credit (charge) to consolidated income statement	771	(2,346)	—	(1,575)
At 31 December 2007	—	—	—	—
Charge to consolidated income statement	(2,342)	—	—	(2,342)
At 31 December 2008	(2,342)	—	—	(2,342)

As at 31 December 2008, the Group had unused estimated tax losses of HK$415,830,000 (2007: HK$262,333,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unused tax losses can be carried forward indefinitely. For certain subsidiaries operated in the PRC, unused estimated tax loss of HK$12,948,000 (2007: nil) can be carried forward until 2013.

14. DISCONTINUED OPERATIONS

On 9 January 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 approved by independent shareholders of the Company at a special general meeting held on 23 April 2007 and was completed on 1 June 2007, on which date control of the Netfield Group has been passed to CASH.

The profit (loss) for the year ended 31 December 2007 from the discontinued operations is analysed as follows:

	HK$'000
Gain on disposal of the Netfield Group	41,701
Loss for the year on online game services operations	(10,797)
	30,904

The results of the Netfield Group for the period from 1 January 2007 to 31 May 2007, which have been included in the consolidated income statement for the year ended 31 December 2007, were as follows:

	HK$'000
Revenue	35,111
Other operating income	336
Salaries, commission and related benefits	(10,665)
Depreciation and amortisation	(4,137)
Other operating and administrative expenses	(31,358)
Finance costs	(84)
Loss before taxation and loss for the period	(10,797)
Attributable to:	
The Group	(10,325)
Minority interests	(472)
	(10,797)

The cash flows of the Netfield Group for the period from 1 January 2007 to 31 May 2007 are as follows:

	HK$'000
Net cash from operating activities	33,375
Net cash used in investing activities	(5,683)
Net cash from financing activities	48,367

The carrying amounts of the assets and liabilities of the Netfield Group at the date of disposal are disclosed in note 37.

15. (LOSS) PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Continuing operations:		
Auditor's remuneration	**1,770**	1,770
Depreciation of property and equipment		
Owned assets	**15,610**	7,310
Leased assets	**45**	93
	15,655	7,403
Advertising and promotion expenses	**8,704**	10,198
Operating lease rentals in respect of land and buildings	**25,647**	12,407
Gain on disposal of property and equipment	**(35)**	—
Loss (gain) on disposal of intangible asset	**830**	(9)
Fair value change on investment property	**(823)**	—
Net foreign exchange gain	**(182)**	(2,498)
Dividends from investments held for trading	**(3,261)**	(704)
Allowance for bad and doubtful accounts receivable (note)	**—**	1,041
Bad debt on accounts receivable and loans receivable recovered (note)	**(3,476)**	—
Allowance for bad and doubtful loans receivable (note)	**900**	298
Bad debt on accounts and loans receivable written off directly (note)	**177**	227
Impairment loss on amount due from an associate (note)	**—**	4,075

Note: All these impairment losses or reversal of impairment losses are included in "other operating and administrative expenses" of the consolidated income statement.

	2008 HK$'000	2007 HK$'000
Discontinued operations:		
Auditor's remuneration	**—**	223
Amortisation of intangible assets	**—**	1,731
Depreciation of property and equipment		
Owned assets	**—**	2,406
Advertising and promotion expenses	**—**	22,429
Operating lease rentals in respect of land and buildings	**—**	1,330

16. (LOSS) EARNINGS PER SHARE

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

	2008 **HK$'000**	2007 HK$'000
From continuing and discontinued operations		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(99,595)**	207,779
From continuing operations		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	**(99,595)**	176,403

	2008 **HK$'000**	2007 HK$'000
From discontinued operations		
Profit for the purpose of basic and diluted earnings per share	**—**	31,376

	2008	2007 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**413,600,313**	339,047,794
Effect of dilutive potential ordinary shares assumed exercise of share options	**—**	4,061,310
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**413,600,313**	343,109,104

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the consolidation of shares on 2 May 2008.

For the year ended 31 December 2008, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

17. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	**Furniture and fixtures** HK$'000	**Computer and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
COST					
At 1 January 2007	50,421	21,440	46,873	2,009	120,743
Additions	1,465	558	8,705	—	10,728
Arising on disposal of subsidiaries (see note 37)	(3,783)	(497)	(21,115)	(170)	(25,565)
Arising on acquisition of subsidiaries (see note 36(b))	137	110	—	—	247
Disposal/written off	—	(6,628)	—	—	(6,628)
At 31 December 2007	48,240	14,983	34,463	1,839	99,525
Additions	50,779	16,004	31,471	545	98,799
Arising on acquisition of subsidiaries (see note 36(a))	—	233	—	—	233
Disposal/written off	(13,438)	(9,590)	(8,156)	(657)	(31,841)
At 31 December 2008	85,581	21,630	57,778	1,727	166,716
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2007	31,639	20,800	21,038	1,546	75,023
Provided for the year	5,375	322	4,008	104	9,809
Eliminated on disposals of subsidiaries (see note 37)	(1,141)	(80)	(2,232)	(13)	(3,466)
Eliminated on disposal/written off	—	(6,628)	—	—	(6,628)
At 31 December 2007	35,873	14,414	22,814	1,637	74,738
Provided for the year	6,410	1,696	7,411	138	15,655
Eliminated on disposal/written off	(13,438)	(9,590)	(8,156)	(657)	(31,841)
At 31 December 2008	28,845	6,520	22,069	1,118	58,552
CARRYING VALUES					
At 31 December 2008	56,736	15,110	35,709	609	108,164
At 31 December 2007	12,367	569	11,649	202	24,787

The carrying value of motor vehicles included amounts of HK$500,000 was held under finance leases (2007: nil).

The above property and equipment 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

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

The fair value of the Group's investment property at 31 December 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 Group's property interest held under operating lease to earn rentals or for capital appreciation purpose is measured using the fair value model and is classified and accounted for as investment property.

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

19. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2007	114,878
Reversal on disposal of subsidiaries (see note 37)	(109,945)
At 31 December 2007 and 31 December 2008	4,933

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

20. INTANGIBLE ASSETS

	Trading rights HK$'000	Club memberships HK$'000	Online game and related intellectual property HK$'000	Domain name HK$'000	Total HK$'000
COST					
At 1 January 2007	9,092	5,060	16,561	5,460	36,173
Disposals	—	(1,760)	—	—	(1,760)
Arising on disposal of subsidiaries (see note 37)	—	—	(16,561)	(5,460)	(22,021)
At 31 December 2007	9,092	3,300	—	—	12,392
Disposals	—	(1,330)	—	—	(1,330)
At 31 December 2008	9,092	1,970	—	—	11,062
AMORTISATION					
At 1 January 2007	—	—	4,131	—	4,131
Charge for the year	—	—	1,731	—	1,731
Elimination on disposal of subsidiaries (see note 37)	—	—	(5,862)	—	(5,862)
At 31 December 2007 and 31 December 2008	9,092	1,970	—	—	11,062
CARRYING VALUES					
At 31 December 2008	9,092	1,970	—	—	11,062
At 31 December 2007	9,092	3,300	—	—	12,392

At 31 December 2008, intangible assets amounting to HK$9,092,000 (2007: HK$9,092,000) represent trading rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange. Particulars regarding impairment testing on the trading rights are disclosed in note 21.

At 31 December 2008, intangible assets amounting to HK$1,970,000 (2007: HK$3,300,000) represent club memberships. For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less cost of disposal. During the year ended 31 December 2008, management of the Group determines that there was no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

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 and one subsidiary in corporate finance. The carrying amounts of goodwill and trading rights at the balance sheet date allocated to these units are as follows:

	Goodwill 2008 and 2007 HK$'000	**Trading rights 2008 and 2007** HK$'000
Broking — Broking of securities	—	9,092
Broking — Mutual funds and insurance-linked investment products	2,272	—
Corporate finance	2,661	—
	4,933	9,092

During the year ended 31 December 2008, 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 8% (2007: three-year period, and discount rate of 6%). The cash flows beyond the one-year period are extrapolated for two years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. 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.

22. OTHER ASSETS

	2008 **HK$'000**	2007 HK$'000
Statutory and other deposits	**9,447**	9,136
Deposits paid to residential property developers	**63,271**	—
Deposits paid for acquisition of fellow subsidiaries	**60,000**	—
	132,718	9,136

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

Deposits paid to residential property developers represent deposits for purchase of residential properties in Shanghai. The properties are currently under construction and deliveries are expected in late 2009.

22. OTHER ASSETS (continued)

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

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

All the above deposits are non-interest bearing.

23. LOANS RECEIVABLE

	2008 HK$'000	2007 HK$'000
Variable-rate loans receivable denominated in Hong Kong dollar	**17,554**	33,399
Fixed-rate loans receivable denominated in Hong Kong dollar	**—**	1,361
Less: Allowance for bad and doubtful debts	**(3,733)**	(5,717)
	13,821	29,043
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**13,629**	28,867
Non-current assets (receivable after 12 months from the balance sheet date)	**192**	176
	13,821	29,043

Interest rates underlying the variable-rate loans receivable are Hong Kong Prime Rate plus a spread for both years. Interest rates underlying the fixed-rate loans receivable for 2007 are ranged from 5% to 32.6%.

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

23. LOANS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts is as follows:

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

In determining the recoverability of the loans receivable, the Group considers any change in the credit quality of the loans 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 impairment required in excess of the allowance for doubtful debts.

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

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

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

The loans receivable with a carrying amount of HK$13,821,000 (2007: HK$323,000) which are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

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

23. LOANS RECEIVABLE (continued)

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

	2008 HK$'000	2007 HK$'000
Within one year	**13,629**	27,602
In more than one year but not more than two years	**192**	25
In more than two years but not more than three years	**—**	27
In more than three years but not more than four years	**—**	28
	13,821	27,682

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

	2008 HK$'000	2007 HK$'000
Within one year	**—**	1,265
In more than one year but not more than two years	**—**	96
	—	1,361

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

24. INTERESTS IN ASSOCIATES

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

Note: Pursuant to the shareholder agreement entered into between a subsidiary, Marvel Champ Investments Limited, and other shareholders of the associate on 27 June 2007, the loan to 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 from 31 December 2008.

24. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2008 and 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 nominal value of issued capital held by the Group Directly	Indirectly	Proportion of voting power held	Principal activity
					%	%	%	
China Able Limited	Incorporated	British Virgin Islands ("BVI") 23 May 2007	PRC	Ordinary	33.33	—	33.33	Investment holding
Shanghai Property (No. 1) Holding SRL	Incorporated	Barbados 11 August 2006	PRC	Ordinary	—	33.33	33.33	Investment holding
昌裕(上海)房地產經營有限公司	Incorporated	PRC 11 December 2006	PRC	Ordinary	—	33.33	33.33	Property investment

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

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

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

25. OTHER FINANCIAL ASSETS AND LIABILITIES

Amounts receivable on disposal of subsidiaries

The amount represents partial consideration receivable from the purchaser with respect to the disposal of subsidiaries and the amount due from the Netfield Group on 31 May 2007, and related interest receivables.

Pursuant to the sale and purchase agreement entered into between the subsidiary of the Company, Vantage Giant Limited and CIGL, immediate holding company of the Company, on 9 January 2007, the amount is repayable on 1 June 2009, the principal amount of HK$162,703,000 carries interest at Hong Kong Prime Rate and unsecured. CIGL has the right to repay early part or all of the amount at any time prior to 1 June 2009.

Amounts due from an associate and fellow subsidiaries

The amounts are non-interest bearing, unsecured and are repayable on demand.

Deposits with brokers

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

Bank balances — trust and segregated accounts

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

Bank balances (general accounts) and cash

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

Loan from a minority shareholder

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

26. ACCOUNTS RECEIVABLE

	2008 HK$'000	2007 HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**72,199**	216,343
Cash clients	**36,425**	166,310
Margin clients	**97,185**	449,162
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**65**	68
Clearing houses, brokers and dealers	**94,719**	93,032
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**2,349**	5,238
Accounts receivable arising from the business of provision of corporate finance services	**1,100**	1,442
	304,042	931,595

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

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment products as well as accounts receivable arising from the business of corporate finance services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	2008 HK$'000	2007 HK$'000
0–30 days	**2,034**	4,173
31–60 days	**458**	619
61–90 days	**323**	697
Over 90 days	**634**	1,191
	3,449	6,680

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

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

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

26. ACCOUNTS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	2008	2007
	HK$'000	HK$'000
Balance at the beginning of the year	**9,330**	20,086
Amounts written off during the year	**(1,214)**	(11,797)
Charge for the year	**—**	1,041
Amounts recovered during the year	**(592)**	—
Balance at the end of the year	**7,524**	9,330

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

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

Included in the Group's accounts receivable are debtors, with a carrying amount of HK$8,332,000 (2007: HK$24,278,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The Group believes that the amounts are still considered recoverable given the substantial subsequent settlement after the reporting date.

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

	2008	2007
	HK$'000	HK$'000
0–30 days	**6,549**	21,771
31–60 days	**826**	619
61–90 days	**323**	697
Over 90 days	**634**	1,191
	8,332	24,278

The accounts receivable with a carrying amount of HK$295,710,000 (2007: HK$907,317,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

26. ACCOUNTS RECEIVABLE (continued)

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

Name	Balance at 1 January HK$'000	Balance at 31 December HK$'000	Maximum amount outstanding during the year HK$'000	Market value of pledged securities at fair value at 31 December HK$'000
Directors of both the Company and CASH				
Mr Wong Kin Yick Kenneth (Note 2)				
and associates (Note 1)				
2007	648	1,678	28,842	3,941
2008	1,678	222	16,031	1,096
Mr Law Ping Wah Bernard and associates				
2007	—	—	29,489	19,914
2008	—	—	15,401	6,049
Directors of the Company				
Mr Cheng Man Pan Ben and associates				
2007	—	—	23,349	1,945
2008	—	29	16,412	433
Mr Yuen Pak Lau Raymond and associates				
2007	—	—	—	—
2008	—	—	996	748
Director of CASH				
Mr Lin Che Chu George and associates				
2007	—	—	29,703	12,900
2008	—	—	—	6,372
Subsidiaries of CASH				
Kawoo Finance Limited (Note 3)				
2007	—	—	29,146	978
2008	—	—	29,900	2,566
Libra Capital Management (HK) Limited				
(formerly known as E-Tailer Holding Limited)				
2007	—	—	—	—
2008	—	—	29,182	—
Substantial shareholders of CASH				
Cash Guardian Limited				
2007	—	—	—	930
2008	—	—	—	8,895
Mr Kwan Pak Hoo Bankee and associates				
2007	—	—	29,021	10,161
2008	—	—	1,792	1,363
Substantial shareholder of the Company				
Abdulrahman Saad Al-Rashid & Sons Company				
Limited ("ARTAR") and associates				
2007	—	—	2,060,400	218,735
2008	—	—	—	5,387

26. ACCOUNTS RECEIVABLE (continued)

Notes:

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

(2) During the year, Mr Wong Kin Yick Kenneth resigned as directors of both the Company and CASH.

(3) On 31 July 2008, Kawoo Finance Limited was acquired by the Group and became a wholly-owned subsidiary of the Company.

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

27. INVESTMENTS HELD FOR TRADING

	2008	2007
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**78,419**	57,613
Investment funds	**736**	1,658
	79,155	59,271

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

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

28. BANK DEPOSITS SUBJECT TO CONDITIONS

	2008	2007
	HK$'000	HK$'000
Other bank deposits (Note (a))	**17,142**	17,105
Pledged bank deposits (Notes (b), (c) and (d))	**18,038**	11,570
	35,180	28,675

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

Notes:

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

(b) The Group's bank deposits of HK$10,744,000 (2007: HK$10,574,000) were pledged to secure the general banking facilities granted by a bank. At 31 December 2008, bank loan of HK$10,000,000 was drawdown (2007: nil).

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

(d) The Group's bank deposits of HK$7,071,000 (2007: nil) were pledged to secure a standby letter of credit facility granted by a bank. The bank deposits will be released on clearance of the facility.

29. ACCOUNTS PAYABLE

	2008 HK$'000	2007 HK$'000
Accounts payable arising from the business of dealing in securities:		
Cash clients	**400,345**	963,379
Margin clients	**120,928**	255,425
Accounts payable to clients arising from the business of dealing in futures and options	**167,545**	151,097
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**357**	9,620
	689,175	1,379,521

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable 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.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excess 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 accounts payable amounting to HK$542,079,000 (2007: HK$928,527,000) 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.

30. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates at 6%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**150**	—	**127**	—
In more than one year but not more than two years	**338**	—	**315**	—
	488	—	**442**	—
Less: future finance charges	**(46)**	—	**—**	
Present value of lease obligations	**442**	—	**442**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(127)**	—
Amount due for settlement after 12 months			**315**	—

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

31. BANK BORROWINGS

	2008	2007
	HK$'000	HK$'000
Bank overdrafts, secured	**15,023**	2,066
Bank loans, secured	**217,063**	229,000
	232,086	231,066

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

	2008	2007
	HK$'000	HK$'000
On demand or within one year	**195,253**	231,066
More than one year, but not exceeding two years	**1,278**	—
More than two years, but not more than five years	**4,136**	—
More than five years	**31,419**	—
	232,086	231,066
Less: Amount due within one year shown under current liabilities	**(195,253)**	(231,066)
Amount due after one year under non-current liabilities	**36,833**	—

31. BANK BORROWINGS (continued)

The Group's bank borrowings of HK$232,086,000 (2007: HK$231,066,000) used to finance the financing business of the Group were secured by:

(a) corporate guarantees from the Company for both years;

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

(c) a charge over the properties to be delivered by the residential property developers (2007: nil); and

(d) pledged deposit of HK$10,744,000 (2007: nil).

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 (2007: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 28).

Bank overdrafts amounting to HK$15,023,000 (2007: HK$2,066,000) carried interest at HIBOR plus a spread. Bank borrowings amounting to HK$217,063,000 (2007: HK$229,000,000) were at variable-rate borrowings which carry interest at HIBOR plus a spread or Hong Kong Prime Rate.

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

The Group had undrawn borrowing facility amounting to HK$1,280,000,000 (2007: HK$1,050,936,000) with floating rate and expiring within one year.

32. SHARE CAPITAL

	Notes	**Number of shares** '000	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 31 December 2007 and 31 December 2008		3,000,000	300,000
Issued and fully paid:			
At 1 January 2007		1,382,051	138,205
Exercise of share options	(a)	101,500	10,150
Issue of shares due to rights issue	(b)	593,421	59,342
At 31 December 2007 and 1 January 2008		2,076,972	207,697
Exercise of share options	(a)	1,203	120
Share consolidation	(c)	(1,662,378)	—
Ordinary shares of HK$0.50 each		415,797	207,817
Capital reduction	(c)	—	(166,238)
Ordinary shares of HK$0.10 each		415,797	41,579
Share repurchases	(d)	(4,392)	(439)
Ordinary shares of HK$0.10 each at 31 December 2008		411,405	41,140

32. SHARE CAPITAL (continued)

Notes:

(a) Exercise of share options

The particulars of options exercised during the year ended 31 December 2008 and 31 December 2007 are set out below:

Date of issue of shares	Number of options exercised and resulting number of shares in issue	Exercise price per share	Total consideration (before expenses)
		HK$	HK$
2008			
24 April 2008	1,000,000	0.262	262,000
15 July 2008	203,000	1.310	265,930
	1,203,000		527,930
2007			
23 April 2007	1,000,000	0.296	296,000
3 July 2007	8,600,000	0.296	2,545,600
4 July 2007	40,100,000	0.296	11,869,600
9 July 2007	5,000,000	0.296	1,480,000
27 July 2007	9,000,000	0.296	2,664,000
7 August 2007	2,600,000	0.296	769,600
13 August 2007	35,200,000	0.296	10,419,200
	101,500,000		30,044,000

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

(b) Rights issue

On 21 November 2007, 593,420,579 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.40 per share. The gross proceeds of approximately HK$237,368,000 were used to support its expanding share margin financing portfolio and to facilitate corresponding growth in its securities brokerage business in line with market development and for general working capital purposes. These shares rank pari passu in all respects with other shares in issue.

(c) Share consolidation and capital reduction

Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 30 April 2008, the Company, with effect from 2 May 2008:

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

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

(iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK$166,238,000 to the contributed surplus account.

(d) Repurchase of shares

During the year ended 31 December 2008, the Company repurchased a total of 4,392,000 shares of HK$0.10 each in its own issued share capital on the Stock Exchange for an aggregate consideration of HK$10,904,000 (before expenses). Accordingly, such shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares. Further details of the share repurchases are set out in the section headed "Purchase, redemption or sale of listed securities" in the Directors' report.

33. DERIVATIVE FINANCIAL INSTRUMENTS

The Group through the acquisition of the subsidiaries (see note 36(a)), acquired a number of equity-linked derivative contracts (trading as accumulators) during the year. Under the equity-linked derivative contracts, the Group receives predetermined equity securities at stipulated strike prices on a weekly basis. When the market price of equity securities moves favorable to the Group (i.e. market price above strike price), the Group gets to buy the agreed amount of equity securities at the strike price. However, when the market price moves unfavorable to the Group (i.e. dropped below the strike price), the Group gets to buy 2 times the pre-determined equity securities at strike price. When the market price is above the knock out price, the derivative contract would be terminated (i.e. the profit is capped at the knock out price).

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

34. EQUITY-LINKED STRUCTURED DEPOSITS

During the year, the Group through the acquisition of the subsidiaries (see note 36(a)), acquired a number of equity-linked structured deposits with contract term of one year from inception date. It is a hybrid instrument which comprises a debt instrument with coupon payments and a put option with the underlying basket of equity securities. The coupon payments were determined based on the market price of the underlying basket of equity securities during the relevant period. According to the terms of the instruments, at maturity, if the market price of the underlying basket of equity securities is above a pre-determined level, the Group would receive par value of the bond and coupon interest. If the market price of the underlying basket of equity securities is below a pre-determined level, the Group would receive the underlying basket of equity securities at the strike price as set out in the instrument. All these equity-linked structured deposits were early redeemed by the Group during the year and there were no outstanding equity-linked structured deposits as at 31 December 2008.

35. MAJOR NON-CASH TRANSACTIONS

In addition to the deferred consideration on disposal of subsidiaries as disclosed in note 37, the Company had the following non-cash transaction:

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 prepayments for advertising and telecommunication services which the Group paid. During the year, no advertising and telecommunication services were utilised by the Group (2007: HK$2,233,000).

36. ACQUISITION OF SUBSIDIARIES

(a) Subsidiaries of CASH

On 31 July 2008, through the acquisitions of the entire equity interests of two subsidiaries of CASH, Kawoo Finance Limited and Think Right Investments Limited, the Group had, in substance, acquired the following assets and related liabilities, at a total consideration of approximately HK$8,000.

	HK$'000
Furniture and fixtures	233
Amounts due from fellow subsidiaries	334
Equity-linked structured deposits	58,412
Deposits paid to residential property developers	63,271
Bank balance	647
Bank overdraft	(744)
Deposits with brokers	(1,556)
Derivative financial liabilities	(20,060)
Secured bank loans	(64,676)
Loan payable	(35,853)
Net assets acquired	8
Cash consideration	8
Net cash outflow arising on acquisition:	
Cash consideration	(8)
Bank balance acquired	647
Bank overdraft acquired	(744)
Net cash outflow arising on acquisition of assets and related liabilities	(105)

(b) RACCA Capital Inc. and its subsidiary

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

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

37. 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 the Netfield Group. At the same time, the Group disposed of the debt due from the Netfield Group to CASH at its carrying amount of HK$102,558,000, details of these disposals were as follows:

	At 31 May 2007 HK$'000
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)
	(30,840)
Minority interest	(2,131)
Attributable goodwill	109,945
Release of translation reserve	288
	77,262
Gain on disposal	41,701
Debt from the Netfield Group disposed	102,558
Total consideration	221,521
Satisfied by:	
Cash consideration received	50,000
Deferred consideration	172,558
Related costs of disposal	(1,037)
	221,521
Net cash outflow arising on disposal:	
Cash consideration, net of related costs	48,963
Bank balances and cash disposed of	(84,939)
	(35,976)

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

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

38. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

(a) New Option Scheme

The Company's share option scheme ("New Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008. The New Option Scheme replaces the Option Scheme (to be defined in 38(A)(b) below) with effect from 3 March 2008. During the year, no option has been granted under the New 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 associates, including the Group ("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 employees (whether full time or part time), executives and officers (including executive and non-executive directors) and business consultants, agents and legal and financial advisers of the CASH Group.

(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. The maximum number of shares was 41,140,540 shares (as adjusted due to the Share Consolidation and repurchase of shares in 2008), representing 10% of the issued share capital of the Company as at the date of this Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding 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.

38. SHARE OPTION SCHEMES (continued)

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

(a) New Option Scheme (continued)

(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 21 February 2018.

(b) Option Scheme

Prior to 3 March 2008, the Company's share option scheme ("Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The Option Scheme was replaced by the New Option Scheme with effect from 3 March 2008. The major terms of the 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 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 Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the 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 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 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.

38. SHARE OPTION SCHEMES (continued)

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

(b) Option Scheme (continued)

(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 Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

38. SHARE OPTION SCHEMES (continued)

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

(b) Option Scheme (continued)

The following table discloses details of the Company's share options granted under the Option Scheme 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 1.1.2007	exercised in 2007 (Note 2)	adjusted on 30.10.2007 (Note 3)	outstanding as at 31.12.2007 and 1.1.2008	exercised on 24.4.2008 (Note 2)	lapsed on 1.5.2008 (Note 4)	adjusted on 1.5.2008 (Note 5)	exercised on 15.7.2008 (Note 2)	lapsed on 14.11.2008 (Note 4)	outstanding as at 31.12.2008
Directors														
Option Scheme	7.7.2006	0.296	7.7.2006–31.7.2008		27,000,000	(27,000,000)	—	—	—	—	—	—	—	—
					27,000,000	(27,000,000)	—	—	—	—	—	—	—	—
Employees														
Option Scheme	7.7.2006	0.296	7.7.2006–31.7.2008		73,300,000	(73,300,000)	—	—	—	—	—	—	—	—
	7.7.2006	0.262 (before 4:00 pm on 1.5.2008) 1.310 (after 4:00 pm on 1.5.2008)	7.7.2006–31.7.2010	(1), (3) & (5)	6,000,000	(1,200,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000
					79,300,000	(74,500,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000
					106,300,000	(101,500,000)	624,341	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	(203,000)	(252,000)	113,000

Notes:

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

38. SHARE OPTION SCHEMES (continued)

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

(b) Option Scheme (continued)

Notes: (continued)

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

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

Note:

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

(3) 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 30 October 2007. The exercise prices per share were adjusted from HK$0.296 to HK$0.262.

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

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

There were no options granted for the years ended 31 December 2008 and 2007. No such related expense was charged to consolidated income statement for both years ended 31 December 2008 and 2007.

38. SHARE OPTION SCHEMES (continued)

(B) Share option scheme 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.

38. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CASH (continued)

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$ Before 6.6.2008	Exercise price per share HK$ After 6.6.2008	Exercise period	Number of options: outstanding as at 1.1.2007	granted in 2007	exercised in 2007	outstanding as at 31.12.2007	adjusted on 6.6.2008 (Note 1)	lapsed in 2008	outstanding as at 31.12.2008
Directors											
CASH Option Scheme	13.11.2006	0.323	1.615	13.11.2006–12.11.2008	12,000,000	—	—	12,000,000	(9,600,000)	(2,400,000)	—
	6.6.2007	0.490	2.450	6.6.2007–31.5.2009	—	14,000,000	—	14,000,000	(11,200,000)	—	2,800,000
					12,000,000	14,000,000	—	26,000,000	(20,800,000)	(2,400,000)	2,800,000
Employees											
CASH Option Scheme	13.11.2006	0.323	1.615	13.11.2006–12.11.2008	20,000,000	—	(12,000,000)	8,000,000	(6,400,000)	(1,600,000)	—
	30.5.2007	0.480	2.400	30.5.2007–31.5.2009	—	11,700,000	(4,000,000)	7,700,000	(6,160,000)	—	1,540,000
	6.6.2007	0.490	2.450	6.6.2007–31.5.2009	—	28,300,000	—	28,300,000	(22,640,000)	—	5,660,000
					20,000,000	40,000,000	(16,000,000)	44,000,000	(35,200,000)	(1,600,000)	7,200,000
					32,000,000	54,000,000	(16,000,000)	70,000,000	(56,000,000)	(4,000,000)	10,000,000

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to share consolidation of CASH with effect from 6 June 2008.

(2) No equity-settled share-based payments were recognised by the Group as the options were granted by CASH to these directors and employees of the Group for their services rendered to CASH.

39. RETIREMENT BENEFITS SCHEMES

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.

For the years ended 31 December 2008 and 2007, no forfeited voluntary contributions to the retirement benefits scheme was credited to the consolidated income statement.

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.

40. RELATED PARTY TRANSACTIONS

Other than as disclosed in notes 22, 26, 36(a) and 37, where the Group acquired Kawoo Finance Limited and Think Right Investments Limited from CASH and disposed of its subsidiaries, Netfield Group, to CASH respectively, the Group had the following transactions with related parties:

	Notes	2008 HK$'000	2007 HK$'000
Commission and interest income received from the following wholly-owned subsidiaries of CASH			
Kawoo Finance Limited	(a)	**1,607**	2,473
Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited)	(b)	**29**	—
		1,636	2,473
Commission and interest income received from the following substantial shareholders of CASH	(c)		
Cash Guardian Limited		**3**	263
Mr Kwan Pak Hoo Bankee and associates		**67**	421
		70	684
Commission and interest income received from substantial shareholder	(d)	**86**	16,570
Commission and interest income received from the following directors of the Company	(e)		
Mr Law Ping Wah Bernard and associates		**36**	477
Mr Cheng Man Pan Ben and associates		**33**	222
Mr Chan Chi Ming Benson and associates		**—**	3
Mr Yuen Pak Lau Raymond and associates		**13**	—
Mr Wong Kin Yick Kenneth and associates	(l)	**104**	542
		186	1,244
Commission and interest income received from director of CASH	(f)		
Mr Lin Che Chu George and associates		**8**	386
Placing agent commission received from CASH	(g)	**—**	2,632
Financial advisory service fee received from CASH	(h)	**—**	300
Interest income received from CASH for amounts receivable on disposal of subsidiaries	(i)	**8,795**	7,567
Proceeds received from CASH on disposal of membership	(j)	**500**	—
Deposit paid to CASH for the acquisition of fellow subsidiaries	(k)	**60,000**	—
Rental expense paid to an associate	(m)	**4,749**	—

40. RELATED PARTY TRANSACTIONS — (continued)

Notes:

(a) The Group received commission and interest from margin financing of approximately HK$1,607,000 (2007: HK$2,473,000) from Kawoo Finance Limited before the acquisition of it on 31 July 2008. Details are disclosed in note 36(a).

(b) During the year ended 31 December 2008, the Group received commission and interest from margin financing of approximately HK$29,000 (2007: nil) from Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited), a wholly-owned subsidiary of CASH.

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

(d) During the year ended 31 December 2008, the Group received commission and interest from margin financing of approximately HK$86,000 (2007: HK$16,570,000) from a substantial shareholder of the Company.

(e) During the year ended 31 December 2008, the Group received commission and interest from margin financing of approximately HK$186,000 (2007: HK$1,244,000) from certain directors of the Company.

(f) During the year ended 31 December 2008, the Group received commission and interest from margin financing of approximately HK$8,000 (2007: HK$386,000) from a director of CASH.

(g) During the year ended 31 December 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.

(h) During the year ended 31 December 2007, the Group received financial advisory service fee of approximately HK$300,000 from CASH.

(i) During the year ended 31 December 2008, the Group received interest income of HK$8,795,000 (2007: HK$7,567,000) from CASH for the amounts receivable on disposal of subsidiaries. The interest was calculated at Hong Kong Prime Rate.

(j) During the year ended 31 December 2008, the Group received HK$500,000 from CASH for the disposal of membership and recorded a loss of HK$830,000.

(k) During the year ended 31 December 2008, the Group placed a deposit of HK$60,000,000 at CASH for the acquisition of fellow subsidiaries (see note 22).

(l) During the year ended 31 December 2008, Mr Wong Kin Yick Kenneth resigned as executive directors of both the Company and CASH.

(m) During the year ended 31 December 2008, the Group paid rental expense of approximately HK$4,749,000 (2007: HK$nil) to an associate.

40. RELATED PARTY TRANSACTIONS — (continued)

Compensation of key management personnel

The compensation of key management personal represents the director's remuneration as follows:

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**6,882**	5,379
Post-employment benefits	**331**	206
	7,213	5,585

The remuneration of directors is determined by the performance of individuals and market trends.

41. CAPITAL COMMITMENT

	2008 **HK$'000**	2007 HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property and equipment	**—**	11,560

42. 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:

	2008 **HK$'000**	2007 HK$'000
Within one year	**30,754**	23,620
In the second to fifth year inclusive	**26,021**	21,029
	56,775	44,649

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

43. POST BALANCE SHEET EVENTS

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

(b) Pursuant to the announcement dated 20 February 2009, the Company proposed a rights issue on the basis of 1 rights share for every 2 shares at a subscription price HK$0.45. Under the proposal, there will be no more than 205,702,702 new shares to be issued for raising approximately HK$92.6 million (before expenses). The rights issue is expected to be completed on 17 April 2009.

(c) Pursuant to the announcement dated 19 December 2008, a special general meeting will be convened to consider the approval of the proposed acquisition of the Retail Group from CASH by the Company (see note 22 for details).

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company 2008 %	2007 %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$200,000	**100**	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	**100**	100	Provision of management services for group companies
CASH Frederick Taylor Limited	Hong Kong	Ordinary HK$1,000,000	**70**	70	Financial advisory consultancy
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	**100**	100	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$27,000,000	**100**	100	Provision of corporate finance, investment and financial advisory services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$10,000,000	**100**	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	**100**	100	Securities, equity options broking and trading, leveraged foreign exchange contracts
icoupon Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding and trading
Linkup Assets Management Limited	British Virgin Islands	Ordinary US$1	**100**	100	Investment holding and trading
Kawoo Finance Limited	British Virgin Islands	Ordinary US$2	**100**	—	Investment holding and trading
Think Right Investments Limited	British Virgin Islands	Ordinary US$1	**100**	—	Properties holding

CASH E-Trade Limited is directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, resulted in particulars of excessive length.

45. SUMMARISED BALANCE SHEET OF THE COMPANY

	2008 **HK$'000**	2007 HK$'000
Assets		
Investments in subsidiaries	**477,108**	472,277
Amounts receivable on disposal of subsidiaries	**171,498**	162,703
Amounts due from subsidiaries	**132,065**	300,203
Bank balances (general accounts)	**121**	543
Deposit and other receivables	**60,043**	—
	840,835	935,726
Liabilities		
Accrued liabilities and other payables	**6,265**	6,483
Amounts due to subsidiaries	**323,273**	323,273
	329,538	329,756
Net asset	**511,297**	605,970
Capital and reserves		
Share capital	**41,140**	207,697
Reserves	**470,157**	398,273
Total equity	**511,297**	605,970

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	**324,651**	666,378	345,977	213,557	239,972
(Loss) profit before taxation	**(81,924)**	204,611	73,521	23,847	21,162
Taxation (charge) credit	**(4,294)**	(28,825)	(5,796)	3,440	(350)
(Loss) profit for the year from continuing operations	**(86,218)**	175,786	67,725	27,287	20,812
Discontinued operations					
Profit (loss) for the year from discontinued operations	**—**	30,904	(27,527)	—	—
	(86,218)	206,690	40,198	27,287	20,812
Attributable to:					
Equity holders of the Company	**(99,595)**	207,779	39,944	26,626	20,388
Minority interests	**13,377**	(1,089)	254	661	424
	(86,218)	206,690	40,198	27,287	20,812

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**108,164**	24,787	45,720	12,218	20,725
Goodwill	**4,933**	4,933	114,878	4,933	4,933
Intangible assets	**11,062**	12,392	32,042	11,062	9,092
Other non-current assets	**254,890**	253,089	23,690	67,721	30,087
Current assets	**1,348,209**	2,331,716	1,559,155	1,055,031	963,338
Total assets	**1,727,258**	2,626,917	1,775,485	1,150,965	1,028,175
Current liabilities	**981,713**	1,727,551	1,287,916	792,717	748,027
Non-current convertible loan notes	**—**	—	—	—	39,834
Other non-current liabilities	**39,490**	—	3,977	159	—
Total liabilities	**1,021,203**	1,727,551	1,291,893	792,876	787,861
Net assets	**706,055**	899,366	483,592	358,089	240,314
Minority interests	**16,762**	1,001	3,761	1,471	810

Notes:

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

(ii) During the year ended 31 December 2007, the Group entered into a sale and purchase agreement with CASH to dispose of the Netfield Group, which carried out the Group's game service and operations. Accordingly, the disposed group is regarded as discontinued operations and its results in prior year are separately shown.

Definitions

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

"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of the Company
"Audit Committee"	the audit committee of the Company established pursuant to the CG Code of the Listing Rules
"Board"	the board of Directors
"CASH"	Celestial Asia Securities Holdings Limited (stock code: 1049), the indirect controlling shareholder of the Company, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board
"CASH Group"	CASH and its subsidiaries and associates, including the Group
"Cash Guardian"	Cash Guardian Limited, a company incorporated in the British Virgin Islands; a substantial shareholder of CASH and an associate of Mr Kwan Pak Hoo Bankee
"Celestial Capital"	Celestial Capital Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities
"Celestial Commodities"	Celestial Commodities Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 2 (dealing in futures contracts) regulated activity
"Celestial Securities"	Celestial Securities Limited, a company incorporated with limited liability in Hong Kong and is a wholly-owned subsidiary of the Company, and a licensed corporation under the SFO which is engaged in type 1 (dealing in securities) regulated activity
"CEO"	the chief executive officer of the Company
"CFO"	the chief financial officer of the Company
"CFS"	Celestial Financial Services Limited, a company incorporated in the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company and is the direct holding company of CFT
"CFT"	CASH Frederick Taylor Limited, a company incorporated in Hong Kong with limited liability, and is currently an indirect wholly-owned subsidiary of the Company. It engages in wealth management business
"CG Code"	the Code on Corporate Governance Practices as contained in the Listing Rules
"CG Period"	the period covering the financial period ended 31 December 2008 and up to the date of this annual report to which the CG Report is inscribed
"CG Report"	the corporate governance report of the Company covering the CG period as required to be included in this annual report under the Listing Rules
"CGL"	CASH Group Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of CASH

Definitions

"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of CASH; is a controlling shareholder of the Company
"Company" or "CFSG"	CASH Financial Services Group Limited (stock code on Main Board: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the Main Board with effect from 3 March 2008; the Company's shares were listed on GEM prior to the listing of shares on the Main Board (stock code on GEM: 8122)
"Connected Clients"	Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard (the executive directors of each of the Company and CASH), Mr Cheng Man Pan Ben (an executive Director of the Company), Mr Lin Che Chu George (an executive director of CASH), Mr Wong Kin Yick Kenneth (ex-director of each of the Company and CASH), Cash Guardian (a substantial shareholder of CASH), and ARTAR (a substantial shareholder of the Company), and Kawoo Finance Limited (a then wholly-owned subsidiary of CASH and became a wholly-owned subsidiary of the Company since 31 July 2008) and Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited) (wholly-owned subsidiary of CASH), all of which, except Kawoo Finance Limited, are currently connected persons of the Company (as defined under the Listing Rules)
"COO"	the chief operating officer of the Company
"CRM(HK)"	CASH Retail Management (HK) Limited, a company incorporated in the British Virgin Islands with limited liability, and is a wholly-owned subsidiary of CASH and the holding company of the Retail Group
"Director(s)"	the directors of the Company
"ED(s)"	the executive Director(s) of the Company
"GEM"	the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s) of the Company
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the main board of the Stock Exchange, which excludes GEM
"Margin Financing Arrangement"	the grant of margin financing facilities by the Company to the Connected Clients, details of which are disclosed in the sub-section headed "Continuing Connected Transactions" in the Directors' report
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
"NED(s)"	the non-executive Director(s) of the Company

Definitions

"New Option Scheme"	a new share option scheme adopted by the Company to replace the Option Scheme pursuant to an ordinary resolution passed at the special general meeting of the Company held on 22 February 2008, which took effect on 3 March 2008
"Option Scheme"	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 19 February 2002 and was terminated on 3 March 2008
"PE ratio"	price-to-earning ratio
"PRC"	the People's Republic of China
"Principles"	a set of corporate governance principles adopted by the Board
"Remuneration Committee"	the remuneration committee of the Company established pursuant to the CG Code of the Listing Rules
"Retail Group"	CRM(HK) and its subsidiaries which mainly engage in the retail business in Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

CASH
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