THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Celestial Asia Securities Holdings Limited, you should at once hand this Prospectus and the accompanying PAL (as defined herein) and EAF (as defined herein) (together "Prospectus Documents") to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Prospectus Documents has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). A copy of each of the Prospectus Documents has also been delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act (as defined herein). The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission take no responsibility as to the contents of any of these documents.

Dealings in the shares in Celestial Asia Securities Holdings Limited may be settled through CCASS (as defined herein) and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listings of, and permission to deal in, Rights Shares (as defined herein) in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as the compliance with the stock admission requirements of HKSCC (as defined herein), Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

RIGHTS ISSUE
OF 218,741,913 RIGHTS SHARES OF HK$0.10 EACH
AT HK$0.28 PER RIGHTS SHARE
ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING SHARES
PAYABLE IN FULL ON ACCEPTANCE

It should be noted that the Shares (as defined herein) have been dealt in on an ex-rights basis as from 24 October 2006 and the Rights Shares will be dealt in their nil-paid form from 1 November 2006 to 9 November 2006 (both days inclusive). Such dealings will take place during a period when the Conditions (as defined herein) remain unfulfilled. Any Shareholders (as defined herein) or other persons dealing in the Shares from now up to the date on which all the Conditions are fulfilled and any person dealing in the nil-paid Rights Shares during the period from 1 November 2006 to 9 November 2006 will accordingly bear the risk that the Rights Issue (as defined herein) may not proceed. If in any doubt, any Shareholders or other persons are recommended to consult their professional advisers.

In particular, the Directors (as defined herein) would like to draw your attention to the fact that the Underwriting Agreement (as defined herein) contains provisions giving the Underwriter (as defined herein) the right to terminate its obligations thereunder in its reasonable opinion on the occurrence of certain events prior to 4:00 pm on the second business day after the latest time for acceptance of and payment for Rights Shares, being 16 November 2006, including:–

(a) (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or

(ii) the occurrence of any local, national or international event or change of a political, military, financial, economic, currency or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflicts, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or financial or trading position or prospects of the Group (as defined herein) as a whole or materially adversely prejudices the success of the Rights Issue; or

(b) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction of trading in securities) occurs which may adversely and materially affect the success of the Rights Issue or the taking up of the Rights Shares by Shareholders.

If the Underwriter exercises such right and terminates the Underwriting Agreement, the Rights Issue will not proceed. Full details of the terms of the termination of the Underwriting Agreement provisions are set out on page 5 of this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 pm on Tuesday, 14 November 2006. The procedure for acceptance and/or transfer of the Rights Shares is set out on page 21 of this Prospectus.

31 October 2006

CONTENTS

EXPECTED TIMETABLE

	2006
First day of dealings in nil-paid Rights Shares	Wednesday, 1 November
Expected latest time for splitting nil-paid Rights Shares	4:00 pm on Monday, 6 November
Last day of dealings in nil-paid Rights Shares	Thursday, 9 November
Expected latest time for acceptance of and payment for Rights Shares	4:00 pm on Tuesday, 14 November
Rights Issue and Underwriting Agreement to become unconditional on or before	Thursday, 16 November
Publication of the announcement of result of acceptance of the Rights Issue	Friday, 17 November
Refund cheques in respect of unsuccessful or partially successful applications for excess Rights Shares expected to be despatched on or before	Friday, 17 November
Certificates for Rights Shares expected to be despatched on or before	Friday, 17 November
Expected commencement of dealings in Rights Shares	Tuesday, 21 November

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

The latest time for acceptance of and payment for Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or

- a “black” rainstorm warning

  (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the last acceptance date of 14 November 2006. Instead the latest time of acceptance of and payment for the Rights Shares will be extended to 5:00 pm on the same business day;

  (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 pm on the last acceptance date of 14 November 2006. Instead the latest time of acceptance of and payment for the Rights Shares will be rescheduled to 4:00 pm on the following business day which does not have either of those warnings in force at any time between 9:00 am and 4:00 pm.

If the latest time for acceptance of and payment for the Rights Shares does not take place on last acceptance date of 14 November 2006, the dates mentioned in the section headed “Expected timetable” in the Prospectus may be affected. A press announcement will be made by the Company in such event.

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus:

Amount to be raised in the Rights Issue	Approximately HK$61.2 million, before expenses, and approximately HK$60.2 million, after expenses
Number of Rights Shares to be issued	218,741,913 Rights Shares
Basis of the Rights Issue	1 Rights Share for every 2 Shares held on the Record Date
Record Date	Friday, 27 October 2006
Subscription Price and latest time for acceptance	HK$0.28 per Rights Share, payable in full on acceptance by 4:00 pm on Tuesday, 14 November 2006
Right of application for excess Rights Shares	Qualifying Shareholders will have the right to apply for Rights Shares in excess of their provisional allotment

RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief,: (i) the information contained in this Prospectus is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this Prospectus misleading; and (iii) all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

TERMINATION OF THE UNDERWRITING AGREEMENT

If any of the following events happens before 4:00 pm on the second business day after the last day for acceptance of, and payment of, Rights Shares, being 16 November 2006, then the Underwriter may in its reasonable opinion terminate the Underwriting Agreement:

(a) the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue; or

(b) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely and materially affect the success of the Rights Issue or the taking up of the Rights Shares by Shareholders.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

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

"Announcement"	the announcement made by the Company on 11 October 2006 in respect of, among other things, the Rights Issue and the entering into of the Underwriting Agreement between the Company and the Underwriter
"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder of the Company
"Associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Branch Registrar"	Standard Registrars Limited, the branch registrars of the Company, and whose principle place of business is situate at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
"Cash Guardian"	Cash Guardian Limited, a substantial Shareholder, and is an Associate of Mr Kwan Pak Hoo Bankee, Chairman of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CFSG"	CASH Financial Services Group Limited (stock code: 8122)
"CFSG Group"	CASH Financial Services Group Limited (stock code: 8122) and its subsidiaries
"CIGL"	Celestial Investment Group Limited, a wholly-owned subsidiary of the Company
"Company"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and which Shares are listed on the main board of the Stock Exchange

"Companies Act"	the Companies Act 1981 of Bermuda
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Conditions"	the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue"
"CRMG"	CASH Retail Management Group Limited (stock code: 996)
"CRMG Group"	CASH Retail Management Group Limited (stock code: 996) and its subsidiaries
"CSL"	Celestial Securities Limited, a non-wholly-owned subsidiary of the Company
"Directors"	the directors of the Company
"EAF(s)"	application form(s) for excess Rights Shares
"Excluded Overseas Shareholders"	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	25 October 2006 (last day prior to the book closing date), being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information referred to in this Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Options"	share options granted or to be granted by the Directors under the share option schemes of the Company
"Overseas Shareholders"	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on that register of members of the Company on that date situated outside Hong Kong
"PAL(s)"	provisional allotment letter(s)
"PRC"	the People's Republic of China, which for the purpose of the Prospectus only, exclude Hong Kong, Macau and Taiwan
"Prospectus"	prospectus in relation to the Rights Issue
"Prospectus Documents"	documents comprising the Prospectus, the EAF and the PAL
"Qualifying Shareholders"	Shareholders whose names appear on the register of members of the Company as at the Record Date other than the Excluded Overseas Shareholders
"Record Date"	27 October 2006, the record date for ascertaining entitlements to the PALs and the EAFs
"Retail Group"	CASH Retail Management (HK) Limited, a wholly-owned subsidiary of the Group, and its subsidiaries whose principal activities are carrying on retail businesses in Hong Kong
"Rights Issue"	the issue of 1 Rights Share for every 2 existing Shares in issue as at the Record Date at the Subscription Price
"Rights Share(s)"	new Share(s) to be issued under the Rights Issue
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.10 each in the Company which are listed on the Stock Exchange

"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.28 per Rights Share
"Undertaking Shareholders"	Cash Guardian and ARTAR and, as at the Latest Practicable Date, are interested in an aggregate of 236,028,376 Shares, representing approximately 53.95% of the existing issued share capital of the Company
"Underwriter"	Celestial Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and an indirect non-wholly-owned subsidiary of the Company
"Underwriting Agreement"	the underwriting agreement dated 10 October 2006 entered into between the Company and the Underwriter in relation to the underwriting for the Rights Issue
"%"	per cent
"HK$"	Hong Kong dollar(s), the currency of Hong Kong

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:
KWAN Pak Hoo Bankee
LAW Ping Wah Bernard
WONG Kin Yick Kenneth
LI Yuen Cheuk Thomas

Independent Non-executive:
LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business
21/F The Center
99 Queen's Road Central
Hong Kong

31 October 2006

To the Shareholders

Dear Sir or Madam,

RIGHTS ISSUE
OF 218,741,913 RIGHTS SHARES OF HK$0.10 EACH
AT HK$0.28 PER RIGHTS SHARE
ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 2 EXISTING SHARES
PAYABLE IN FULL ON ACCEPTANCE

INTRODUCTION

On 11 October 2006, the Board made the Announcement that (among other things), subject to the Conditions, the Company proposed to raise approximately HK$61.2 million (before expenses) by issuing 1 Rights Share for every 2 Shares held as at the Record Date at the Subscription Price by way of rights issue.

The purpose of this Prospectus is to give you further details of the Rights Issue, including information on dealings and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotments of Rights Shares. This Prospectus also contains certain financial and other information relating to the Group.

TERMS OF THE RIGHTS ISSUE

Rights Issue basis and Subscription Price

Existing number of Shares in issue	:	437,483,827 Shares
Basis of the Rights Issue	:	1 Rights Share for every 2 Shares held on the Record Date
Number of Rights Shares to be issued	:	218,741,913 Rights Shares assuming the number of Shares in issue remains unchanged on the Record Date
Subscription Price	:	HK$0.28 per Rights Share in cash represents:–

(i) a discount of approximately 27.3% to the closing price of HK$0.385 per Share as quoted on the Stock Exchange on 9 October 2006 (the last trading day prior to the date of the Announcement);

(ii) a discount of approximately 16.4% to the closing price of HK$0.335 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 31.5% to the average closing prices of the 10 trading days up to and including 9 October 2006 of approximately HK$0.409 per Share;

(iv) a discount of approximately 26.7% to the average closing prices of the 30 trading days up to and including 9 October 2006 of approximately HK$0.382 per Share;

(v) a discount of approximately 20.0% to the theoretical ex-rights price of approximately HK$0.350 per Share based on the closing price of HK$0.385 as quoted on the Stock Exchange on 9 October 2006; and

(vi) a discount of approximately 34.0% to the unaudited consolidated net assets of the Group as at 30 June 2006 of HK$0.424 per Share.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the recent market prices of the Shares under the prevailing market conditions. Although the Subscription Price represents a substantial discount to the unaudited consolidated net assets per Share, on the basis that (i) the discount of the Subscription Price as compared with the recent market prices would encourage the Qualifying Shareholders to participate in the Rights Issue, (ii) the relatively thin trading volume of the Shares (which average daily volume is 376,217 Shares based on preceding 30 days trading volume up to and including 9 October 2006, representing 0.17% of the Rights Shares) and the amount of new funds to be raised from the Rights Issue, the Board is of the opinion that the Subscription Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Status of the Rights Shares

When allotted and issued as fully paid, the Rights Shares will rank pari passu in all respects with the then existing Shares as at the date of allotment. Holders of the fully-paid Rights Shares will be entitled to receive all dividends and distributions, which are declared, made or paid after the allotment of the Rights Shares.

Despatch of Rights Share certificates and refund cheques

Share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares are expected to be posted by 17 November 2006 to those entitled thereto.

Qualifying Shareholders and Excluded Overseas Shareholders

The Prospectus Documents will not be registered and/or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda.

As at the Latest Practicable Date, according to the register of members of the Company, the Overseas Shareholders have registered addresses in ten jurisdictions, namely, Macau, Taiwan, the PRC, Singapore, Malaysia, the United Kingdom, the United States, France, Australia and Spain. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Rights Shares to such Overseas Shareholders.

The Rights Issue will be extended to the Overseas Shareholders in Macau, Taiwan, the PRC, Singapore, the United Kingdom, France and Spain as the Company has obtained legal advice that no local regulatory compliance is required to be made in these jurisdictions. The Company has also obtained legal advice from legal advisers in Malaysia, Australia and the United States that local legal and regulatory requirements may have to be complied with if the Rights Issue are to be extended to the Overseas Shareholders in these jurisdictions. In this connection, the Company has considered that it would not be necessary or expedient to include the Overseas Shareholders in Malaysia, Australia and the United States in the Rights Issue because of the time and costs involved in complying with or addressing the relevant legal and regulatory requirements. The Company will therefore send the Prospectus, for information only, to such Excluded Overseas Shareholders. The PALs and EAFs will not be sent to such Excluded Overseas Shareholders.

It is the responsibility of any person (including but not limited to nominee, agent and trustee) outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself or herself or itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. Shareholders should consult their professional advisors if in doubt.

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted to Excluded Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be distributed to the Excluded Overseas Shareholders on a pro rata basis and be sent to them, at their own risk, in Hong Kong dollars as soon as practicable. Individual amount of less than HK$100 will be retained by the Company. Entitlements not sold in the market will be available for application by Qualifying Shareholders on EAFs.

Registration

The Prospectus Documents have not been registered or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda.

UNDERTAKING AND UNDERWRITING ARRANGEMENT

Undertaking by the Undertaking Shareholders

As at the Latest Practicable Date, the Undertaking Shareholders and their Associates are beneficially interested in an aggregate of 236,028,376 Shares representing approximately 53.95% of the existing issued share capital of the Company. The Undertaking Shareholders have undertaken to the Company to take up or procure the taking up of a total of 118,014,188 Rights Shares, which will be provisionally allotted to them, and their respective Associates respectively. In addition, the Underwriter, an indirect non-wholly-owned subsidiary of the Company, has agreed with the Company to fully underwrite the balance of the 100,727,725 Rights Shares pursuant to the Underwriting Agreement as disclosed below.

Underwriting Agreement

Date	:	10 October 2006
Underwriter	:	Celestial Capital Limited, a company principally engaged in the provision of corporate finance advisory services and underwriting of securities. It is a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and an indirect non-wholly-owned subsidiary of the Company
Issuer	:	the Company
Number of Rights Shares underwritten	:	Rights Shares other than those undertaken by the Undertaking Shareholders (assuming the number of Shares in issue remains unchanged on the Record Date, that is 100,727,725 Shares)
Subscription Price	:	HK$0.28 per Rights Share
Underwritten amount	:	HK$28,203,763

The Underwriter will be entitled to an underwriting commission of 2.5% (which is a normal commercial rate in the opinion of the Directors) of the underwritten amount under the Underwriting Agreement, being approximately HK$705,000. The Underwriter is a connected person of the Company under the Listing Rules. The Underwriting Agreement constitutes a connected transaction of the Company exempted from announcement and shareholders' approval requirements pursuant to rules 14A.31(2)(b) and 14A.31(3)(c) of the Listing Rules.

The Underwriter has made sub-underwriting arrangement with two sub-underwriters, being businessmen in Hong Kong and are independent third parties to sub-underwrite 53,570,000 Rights Shares and 47,157,725 Rights Shares respectively. If some or all of the underwritten Rights Shares are not accepted or applied for under PALs or EAFs, the sub-underwriters shall take up, or procure independent third parties to take up, the underwritten Rights Shares that are not taken up by the Qualifying Shareholders and the Underwriter shall in any event not itself take up any Rights Shares pursuant to the Underwriting Agreement.

As at the Latest Practicable Date, there are no outstanding Options or any convertible loan securities of the Company.

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all the underwritten Rights Shares are accepted or applied for under the PALs or EAFs)		Immediately after completion of the Rights Issue (assuming none of the underwritten Rights Shares are accepted or applied for under the PALs or EAFs except that the Undertaking Shareholders take up all their entitlements)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Undertaking Shareholders						
(a) Cash Guardian*	164,028,376	37.49	246,042,564	37.49	246,042,564	37.49
(b) ARTAR	72,000,000	16.46	108,000,000	16.46	108,000,000	16.46
Other Directors	7,598,075	1.73	11,397,112	1.73	7,598,075	1.16
Public – existing	193,857,376	44.32	290,786,064	44.32	193,857,376	29.54
– sub-underwriters **	–	–	–	–	100,727,725	15.35
	437,483,827	100.00	656,225,740	100.00	656,225,740	100.00

* *A company, which is an Associate of Mr Kwan Pak Hoo Bankee, Chairman of the Company.*

** *Pursuant to the sub-underwriting arrangement, in case of under-subscription, the sub-underwriters shall take up, or procure independent third parties to take up, the Rights Shares that are not taken up by the Qualifying Shareholders.*

TERMINATION OF THE UNDERWRITING AGREEMENT

If any of the following events happens before 4:00 pm on the second business day after the last day for acceptance of, and payment of, Rights Shares, then the Underwriter may in its reasonable opinion terminate the Underwriting Agreement:

(a) the success of the Rights Issue would be materially and adversely affected by:

(i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the Shareholders or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue; or

(b) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely and materially affect the success of the Rights Issue or the taking up of the Rights Shares by Shareholders.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, inter alia, each of the following events occurring on or before 16 November 2006 (or such later date as the Company and the Underwriter may agree):

(a) the due filing and registration of the Prospectus Documents with the Registrar of Companies in Bermuda, if required;

(b) the due registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;

(c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by no later than the date of despatch of the Prospectus Documents;

(d) the despatch of the Prospectus Documents by the Company; and

(e) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

The Rights Issue will not be completed if any of the above Conditions is not satisfied. As at the Latest Practicable Date, none of the above condition has been fulfilled.

FUND RAISING IN THE PAST 12 MONTHS

The Company had no fund raising activity in the past 12 months.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The current principal activities of the Group consist of (a) retailing of furniture and household items and trendy digital products; (b) provision of financial services via CFSG Group including online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services and online game services; and (c) investment holding. The Group had been engaged in operation of department store and store management services business in the PRC via its share investment in CRMG Group. Upon completion of disposal of 27.0% interest in CRMG as completed on 19 October 2006, the Group had ceased to engage in such businesses.

The Group's business of retailing furniture and household items and trendy digital products are carried on via its famous retail outlets, namely Pricerite Stores ("Pricerite"), 3C Digital and LZ LifeZtore. Pricerite has re-positioned to be a "neat and clean" specialist and has enhanced its operating efficiencies as well as better control over its profit margins and product quality. 3C Digital has successfully established a strong brand image in the trendy digital product segment to capitalise on the booming demand for digital products among local trend-seekers and tourists. LZ LifeZtore was formally launched at the end of 2005 to meet the lifestyle needs of the higher-spending younger generation. The three brand names have gained recognition and popularity in Hong Kong in recent years. The retail business in Hong Kong progressed steadily from 2005 onwards. It has been the corporate strategy of the Group to develop its retail business in Hong Kong and to expand its retail business in the PRC should the business opportunities arise.

The PRC has been one of the world's fastest growing economies over the past decade. Intensive growth of the PRC economy has resulted in an improvement in the living standards and purchasing powers of the PRC citizens. PRC is the world's largest potential market for consumer goods and the increase in the household consumption expenditure would provide ample opportunities for the retail industry in the PRC. It is expected that the PRC market would record a massive growth over the next few years given that a middle-class group expanding in size and household income increasing. In light of the future prospects of the retail industry in the PRC, the Board is endeavouring to expand the household retailing business as well as opening new shops in the PRC with its reputable brand names as developed in Hong Kong. LZ LifeZtore will be opening stores in Shanghai in the second half of 2006. The Directors believe that it is in the interests of the Company to implement the Rights Issue with a view to strengthening its capital base so that the Group will be in the best position to capture business opportunities for expansion of its retail business in the PRC. The Company intends to apply the net proceeds of the Rights Issues as to approximately HK$40 million to expand its retail business in the PRC and the balance of approximately HK$20.2 million for general working capital purposes.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial prospects

The Group recorded a turnaround profit of HK$2.0 million for the six months ended 30 June 2006 as compared with a loss of HK$18.8 million for the last corresponding period after taking into account the profit contribution from CFSG and CRMG, the profit on disposal of 54,545,000 shares in CRMG as completed on 27 February 2006 and the loss on dilution of its shareholding in CFSG upon partial conversion of its outstanding convertible loan note. In 2006, the major revenues of the Group will be from its two major streams of business, namely CFSG Group (financial services division) and the Retail Group (Hong Kong retail business division).

For the six months ended 30 June 2006, the Group recorded revenue of HK$178.9 million for CFSG Group, as compared to HK$95.8 million for the same period last year. The increase was attributable to the significant growth in securities brokerage income due to the continued speculation over appreciation of RMB as well as the continuous boom of initial public offerings (IPO) during the period, especially for mega China-related enterprises. For the six months ended 30 June 2006, CFSG achieved a net profit attributable to shareholders of HK$18.7 million as compared with the HK$11.2 million recorded for the same period last year. The increase in net profit was mainly attributable to the improved performance of its broking business.

For the Retail Group, it was acquired by the Group at a final consideration of HK$130.6 million on 30 June 2006. The Retail Group carries on businesses for retailing of furniture, household items and trendy digital products in Hong Kong under the brand names of Pricerite, 3C Digital and LZ LifeZtore. There will be no variation of the aggregate of the remuneration payable to and benefits in kind receivable by the Directors of the Company in consequence of the acquisition.

The Retail Group recorded an operating loss of HK$40.9 million during the six months ended 30 June 2006 as a result of the investment costs having been expended on further developing the new retail chain shops "LZ LifeZtore" locally and in the new market of the PRC for the period. Whilst there had been a continuing improvement in the general economy in Hong Kong in 2006, the retailing business had still been faced with tough business environments. The local retailing business was hit hard by the substantial increases in rental and staff costs, which was the direct result of the upswing of Hong Kong's economy and the improvement in the local consumer market. The Retail Group had therefore successfully undergone thorough network and cost rationalisation since 2005 and most of its supporting operations had been moved into its Mainland office during the first half of 2006. The economic benefits of moving the back office onto the Mainland will be gradually accrued and materialised in the remaining period of 2006 and the years ahead. The new retail business of "LZ LifeZtore" in the new market was still in a preliminary investment stage and had yet to have any profit contribution.

Trading prospects

Looking ahead in 2006, the CFSG Group will continue to set as an objective to expand and strengthen its wealth management initiatives and investment banking activities while enjoying the organic growth of its traditional brokerage operations. The brokerage business, among other business units, continued to experience the fastest growth in the first half while revenues from other businesses continued to show steady and healthy increases. The business had a double-digit increase in sales force in the first half and will continue this recruiting trend as part of the brokerage expansion plan. The wealth management division will strengthen cross-selling synergy with the house-served brokerage clients. The investment banking unit continued to be active in sourcing deals in the PRC mid-cap segment after it helped list Lingbao Gold Company Limited (stock code: 3330) successfully in the first quarter in 2006. The asset management business will continue to focus on growing the client base and assets under management while planning to initiate a discretionary portfolio management service. Its online game business performed in line with the financial targets as set out in the business plan. In the second quarter, the online game business successfully licensed the multi-player online game in Taiwan after the initial launch of the game in the PRC earlier this year. The number of registered users has now exceeded 6 million and that of concurrent users has reached twenty-two thousand. The online game's subsidiary will continue to focus on expanding licensing into other regions and promoting branch offices in the coming months.

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

For the Retail Group, the Board is cautiously optimistic about the retail industry in Hong Kong. The gradual economic recovery has presented opportunities for the Retail Group to build on its solid foundation, well-built infrastructure and cohesive staff team. Nonetheless, the high price of rent, labour, utilities and other operating costs in Hong Kong continues to make the operating environment a challenging one. The Retail Group will continue to develop its three brands and provide a diversified product portfolio through its single operating platform. The Board is optimistic in the future prospects of the retail industry in the PRC and will also look for opportunities in developing its retail business in the PRC. The Board is confident that through our single operating platform, a blend of improved operating efficiencies, better use of technology and human resources, we shall move forward with increased momentum.

To focus resources on developing the Group's promising businesses with its existing brands, namely CFSG, Pricerite, LZ LifeZtore and 3C Digital, the Group sold its 27.0% shareholding investment in CRMG in September 2006. The disposal was completed on 19 October 2006. The Group will continue to pursue its proven strategies to diversify brand and product offerings while at the same time utilising the cost leadership approach to weather challenges and seize opportunities that lie ahead.

PROCEDURE FOR ACCEPTANCE AND TRANSFER

Qualifying Shareholders will find enclosed with this Prospectus a PAL that entitles Qualifying Shareholders to take up the number of Rights Shares shown therein. If you wish to exercise your rights to take up all the Rights Shares specified in the PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Branch Registrar by not later than 4:00 pm on Tuesday, 14 November 2006. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED – RIGHTS ISSUE ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged by 4:00 pm on Tuesday, 14 November 2006, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to accept only part of your provisional allotment and/or to transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you or to transfer your rights to more than one person, the PAL must be surrendered by not later than 4:00 pm on 6 November 2006 at the Branch Registrar which will cancel the original PAL and issue new PALs, in the denominations required.

The PAL contains further information regarding the procedure to be followed for acceptance and/or transfer of the whole or part of your provisional allotment.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of a PAL together with a cheque or banker's cashier order in payment for the Rights Shares accepted will constitute a warranty by the subscriber that the cheque or banker's cashier order will be honoured on first presentation. Any PAL in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and, in any event, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and will be available for application on EAFs.

If the Conditions are not fulfilled, the monies received in respect of applications for Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred without interest by means of cheques despatched in the ordinary post at the risk of such Qualifying Shareholders or such other persons on Friday, 17 November 2006.

APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of Excluded Overseas Shareholders and any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares can be made by completing the EAFs. The Directors will allocate the excess Rights Shares at their discretion but will give preference to topping-up odd lots to whole board lots and on a fair basis.

The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

If you are a Qualifying Shareholder and you wish to apply for any Rights Shares in addition to your provisional allotment under the Rights Issue, you must complete and sign the enclosed EAF as indicated therein and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Branch Registrar by not later than 4:00 pm on Tuesday, 14 November 2006. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and banker's cashier orders must be issued by, a bank in Hong Kong and made payable to "**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED – EXCESS APPLICATION ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**".

If no excess Rights Shares are allotted to you, it is expected that the amount tendered on application will be refunded to you in full without interest by means of a cheque despatched in the ordinary post at your own risk on Friday, 17 November 2006. If the number of excess Rights Shares allotted to you is less than that applied for, it is expected that the surplus application monies will be refunded to you without interest by means of a cheque despatched in the ordinary post at your own risk on Friday, 17 November 2006.

All cheques and banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and lodgement of an EAF together with a cheque or banker's cashier order in payment for the Rights Shares applied for will constitute a warranty by the applicant that the cheque or banker's cashier order will be honoured on first presentation. Without prejudice to its rights in respect thereof (but subject to the terms of the Underwriting Agreement), the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation.

An EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amount due, will be posted at the risk of the persons entitled thereto to their registered addresses.

If the Conditions are not fulfilled, the monies received in respect of applications for excess Rights Shares will be returned to the applicants in full without interest by means of cheques despatched in the ordinary post at the risk of such applicants on 17 November 2006.

LISTING OF RIGHTS SHARES

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms.

The Rights Shares in their nil-paid and fully-paid forms will be traded in board lots of 2,000 Rights Shares. Dealings in the Rights Shares in the nil-paid form will commence at 9:30 am on 1 November 2006 and will end at the close of business of the Stock Exchange on 9 November 2006 (both days inclusive). The latest time for splitting of nil-paid Rights Shares will be 4:00 pm on 6 November 2006. Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to payment of stamp duty in Hong Kong. Dealings in the Rights Shares in their fully-paid form are expected to commence on 21 November 2006.

The Rights Shares will not be listed or dealt in on any other stock exchange outside Hong Kong. None of the securities of the Company is listed or dealt in, nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any stock exchange other than the Stock Exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Rights Shares are listed on the Stock Exchange. In granting such permission and in accepting this Prospectus, the PAL and the EAF for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this Prospectus, the PAL or the EAF.

WARNING OF RISK OF DEALINGS IN SHARES AND NIL-PAID RIGHTS SHARES

The Shares have been dealt in on an ex-rights basis from 24 October 2006. Dealings in the nil-paid Rights Shares are expected to take place from 1 November 2006 to 9 November 2006 (both dates inclusive). If the Underwriter terminates the Underwriting Agreement or any of the Conditions is not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares up to the date on which all the Conditions are fulfilled and the date on which the Underwriter's right of termination ceases who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholder or other person dealing in the Shares up to the date on which all the Conditions are fulfilled and the date on which the Underwriter's right of termination ceases, and any persons dealings in the nil-paid Rights Shares during the period from 1 November 2006 to 9 November 2006 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. In particular, the Directors would like to draw your attention to the fact that the Underwriting Agreement may be terminated if prior to 4:00 pm on the second business day after the latest time for acceptance and payment of Rights Shares, in the reasonable opinion of the Underwriter that, inter alia, the success of the Rights Issue would be materially and adversely affected by, inter alia, any of the conditions mentioned under the sub-heading "Termination of the Underwriting Agreement" above.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

On behalf of the Board
Bankee P Kwan
Chairman

1. FINANCIAL INFORMATION

A. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2005

The following is a summary of the audited consolidated profits and losses accounts and financial positions for each of the three years ended 31 December 2005 as extracted from the annual reports of the Group for the respective years. The unaudited consolidated profit and loss account of the Group for the six months ended 30 June 2006 as well as the financial position of the Group as at 30 June 2006 as extracted from the interim report of the Group for the six months ended 30 June 2006 are also set out below.

Consolidated Profit and Loss Account

	For the six months ended 30 June		For the year ended 31 December		
	2006	**2005**	**2005**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)
Continuing operations					
Revenue	178,922	95,755	213,620	247,420	197,825
Profit (Loss) before taxation	16,451	(10,181)	(18,576)	(79,027)	(21,960)
Taxation (charge) credit	(4,090)	(150)	2,999	(350)	(134)
Profit (Loss) for the period/year from continuing operations	12,361	(10,331)	(15,577)	(79,377)	(22,094)
Discontinued operation					
Loss for the period/year from discontinued operation	–	(10,507)	(11,482)	(82,617)	(29,925)
Profit (Loss) for the period/year	12,361	(20,838)	(27,059)	(161,994)	(52,019)
Attributable to:					
Equity holders of the Company	1,964	(18,762)	(37,022)	(143,954)	(52,539)
Minority interests	10,397	(2,076)	9,963	(18,040)	520
	12,361	(20,838)	(27,059)	(161,994)	(52,019)

	For the six months ended 30 June		For the year ended 31 December		
	2006	2005	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(restated)	(restated)
Loss per share					
From continuing and discontinued operations:					
– Basic	HK$0.004	HK$(0.043)	HK$(0.08)	HK$(0.37)	HK$(0.14)
From continuing operations:					
– Basic	HK$0.004	HK$(0.026)	HK$(0.06)	HK$(0.23)	HK$(0.06)

Note: The 2003 and 2004 figures were restated based on the latest Hong Kong Financial Reporting Standards.

Consolidated Assets and Liabilities

	As at 30 June	As at 31 December		
	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(restated)
Total assets	1,924,522	1,265,224	1,534,878	1,617,151
Total liabilities	(1,469,217)	(901,143)	(1,146,776)	(1,154,176)
Net assets	455,305	364,081	388,102	462,975

Note: There were no extraordinary items and exceptional items for the three years ended 31 December 2005 and for the six months ended 30 June 2006.

B. FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 31 DECEMBER 2005

The following financial information is extracted from the audited consolidated financial statements of the Group for each of the two years ended 31 December 2005.

Consolidated Income Statement
For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Continuing operations			
Revenue	7	213,620	247,420
Cost of sales		–	(7,138)
Other operating income		3,480	9,191
Reversal of allowance (Allowance) for bad and doubtful debts		702	(1,361)
Recovery of bad debts		8,294	–
Convertible loan note settlement expenses		(85)	(310)
Salaries, allowances and commission	9	(123,970)	(137,325)
Other operating, administrative and selling expenses		(70,879)	(113,446)
Depreciation of property and equipment		(11,656)	(17,410)
Finance costs	10	(16,984)	(8,721)
Net loss on investments held for trading		(6,632)	–
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		–	(24,327)
Gain (Loss) on disposal of property and equipment		6,773	(100)
Gain on dilution of shareholding in subsidiary and associate		16,289	–
Share of loss of associate	22	(26,728)	–
Impairment loss recognised in respect of available-for-sale investments/investment securities	20	(10,800)	(15,500)
Impairment loss recognised in respect of goodwill		–	(10,000)
Loss before taxation	13	(18,576)	(79,027)
Taxation credit (charge)	14	2,999	(350)
Loss for the year from continuing operations		(15,577)	(79,377)
Discontinued operation			
Loss for the period/year from discontinued operation	15	(11,482)	(82,617)
Loss for the year		(27,059)	(161,994)

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Attributable to:			
Equity holders of the Company		(37,022)	(143,954)
Minority interests		9,963	(18,040)
		(27,059)	(161,994)
Loss per share	16		
From continuing and discontinued operations:			
– Basic		HK$(0.08)	HK$(0.37)
From continuing operations:			
– Basic		HK$(0.06)	HK$(0.23)

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property and equipment	*17*	12,802	100,497
Prepaid lease payments	*18*	–	48,244
Investment securities	*19*	–	10,800
Goodwill	*21*	17,426	57,199
Interest in associate	*22*	103,870	–
Intangible assets	*23*	11,261	9,092
Other assets	*25*	7,564	13,346
Loan receivables	*26*	725	19,334
Deposits for acquisition	*27*	56,095	–
		209,743	258,512
Current assets			
Inventories	*28*	–	59,013
Deferred tax assets	*14*	3,940	–
Account receivables	*29*	469,772	365,047
Loan receivables	*26*	38,460	20,623
Prepayments, deposits and other receivables	*30*	19,580	44,896
Listed investments held for trading	*31*	35,467	–
Other investments	*19*	–	64,700
Derivative financial instrument	*32*	16	–
Bank deposits under conditions	*33*	17,125	52,784
Bank balances – trust and segregated accounts	*30*	352,902	433,156
Bank balances (general accounts) and cash	*30*	118,219	236,147
		1,055,481	1,276,366

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Current liabilities			
Account payables	34	581,965	784,990
Accrued liabilities and other payables	30	35,801	97,901
Taxation payable		1,525	729
Obligations under finance leases			
– amount due within one year	35	150	93
Bank borrowings – amount due within one year	36	171,737	181,777
Convertible loan note – amount due within one year	37	30,242	–
		821,420	1,065,490
Net current assets		234,061	210,876
		443,804	469,388
Capital and reserves			
Share capital	38	43,748	43,748
Reserves		139,596	176,817
Equity attributable to equity holders of the Company		183,344	220,565
Equity component of convertible loan note and share option reserve of a listed subsidiary		1,464	1,451
Minority interests		179,273	166,086
Total equity		364,081	388,102
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	35	159	–
Bank borrowings – amount due after one year	36	79,564	41,452
Convertible loan note – amount due after one year	37	–	39,834
		79,723	81,286
		443,804	469,388

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Notes	Attributable to equity holders of the Company							Convertible loan note equity reserve	Share option reserve	Minority interests	Total
		Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Accumulated losses	Total				
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note(h))	*(notes(i)&(j))*		*(note (k))*						
At 1 January 2004, as originally stated		36,548	279,272	16,724	1,160	12,314	(5,118)	340,900	–	–	121,210	462,110
Effects of changes in accounting policies *(see note 3)*		–	–	–	–	–	(781)	(781)	1,764	461	(580)	864
At 1 January 2004, as restated		36,548	279,272	16,724	1,160	12,314	(5,899)	340,119	1,764	461	120,630	462,974
Loss for the year, representing total recognised loss for the year		–	–	–	–	–	(143,954)	(143,954)	–	–	(18,040)	(161,994)
Increase 2.11% interest in subsidiary		–	–	–	–	–	–	–	–	–	(4,815)	(4,815)
Recognition of employee share option benefits	*(a)*	–	–	–	–	–	–	–	–	219	–	219
Recognition of equity component of convertible loan note of subsidiary		–	–	–	–	–	–	–	771	–	–	771
Arising from full repayment of convertible loan note of subsidiary	*(b)*	–	–	–	–	–	1,295	1,295	(1,764)	–	–	(469)
Issue of rights shares by subsidiary	*(c)*	–	–	–	–	–	–	–	–	–	47,532	47,532
Issue of new shares by subsidiary	*(d)*	–	–	–	–	–	–	–	–	–	4,586	4,586
Issue of right shares by subsidiary	*(d)*	–	–	–	–	–	–	–	–	–	16,193	16,193
Issue of new shares by the Company	*(e)*	7,200	16,560	–	–	–	–	23,760	–	–	–	23,760
Transaction cost attributable to issue of new shares	*(e)*	–	(655)	–	–	–	–	(655)	–	–	–	(655)
At 31 December 2004		43,748	295,177	16,724	1,160	12,314	(148,558)	220,565	771	680	166,086	388,102
Effect of changes in accounting policies *(see note 3)*		–	–	–	–	–	(48)	(48)	–	–	–	(48)
At 1 January 2005, as restated		43,748	295,177	16,724	1,160	12,314	(148,606)	220,517	771	680	166,086	388,054
Loss for the year, representing total recognised loss for the year		–	–	–	–	–	(37,022)	(37,022)	–	–	9,963	(27,059)
Recognition of employee share option benefits	*(a)*	–	–	–	–	–	–	–	–	203	–	203
Arising from partial repayment of convertible loan note of subsidiary	*(b)*	–	–	–	–	–	(151)	(151)	(190)	–	–	(341)
Amount transferred from share premium to contributed surplus	*(f)*	–	(195,665)	195,665	–	–	–	–	–	–	–	–
Amount transferred to set off accumulated losses	*(g)*	–	–	(195,665)	–	–	195,665	–	–	–	–	–
2004 final dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	(3,677)	(3,677)
Issue of new shares by subsidiary	*(c)*	–	–	–	–	–	–	–	–	–	53,244	53,244
Issue of new shares by subsidiary	*(d)*	–	–	–	–	–	–	–	–	–	(46,343)	(46,343)
At 31 December 2005		43,748	99,512	16,724	1,160	12,314	9,886	183,344	581	883	179,273	364,081

Notes:

(a) The Group has applied HKFRS 2 *Share-based payment* retrospectively in relation to the expensing of the fair value of share options of CASH Financial Service Group Limited ("CFSG") granted on 13 November 2003, 2 December 2003 and 6 October 2005 to Directors and employees determined at the date of grant of the share options, over the vesting period.

(b) During the year ended 31 December 2004, CFSG has made full repayment of the outstanding convertible loan note issued on 28 September 2001 amounting to HK$125,100,000. The consideration of HK$125,100,000 was allocated into liability component and equity component. An equity component of approximately HK$1,764,000 was released from the convertible loan note equity reserve.

During the year ended 31 December 2005, CFSG has made partial repayment of the convertible loan note issued on 1 September 2004 amounting to HK$10,000,000. The consideration of HK$10,000,000 was allocated into liability component and equity component. An equity component of approximately HK$190,000 was released from the convertible loan note equity reserve.

(c) (i) In May 2004, 377,278,224 shares of HK$0.10 each in CFSG were issued by way of rights issue at a subscription price of HK$0.27 per share.

(ii) In September 2005, 132,000,000 shares of HK$0.10 each in CFSG were issued at a subscription price of HK$0.27 per share.

(iii) In September 2005, 13,325,000 share options in CFSG were exercised at an exercise price of HK$0.34 per share, resulting in the issue of 13,325,000 shares of HK$0.10 each.

(iv) In October 2005, 145,000,000 top up shares of HK$0.10 each in CFSG were issued to the Group, at the price of HK$0.40 per share, resulting in the issue of 145,000,000 shares of HK$0.10 each.

(d) (i) In January 2004, 2,800,000 share options in CASH Retail Management Group Limited ("CRMG") were exercised at the exercise price of HK$1.79 per share, resulting in the issue of 2,800,000 shares of HK$0.10 each.

(ii) In September 2004, 133,298,562 shares of HK$0.02 each in CRMG were issued by way of rights issue at a subscription price of HK$0.35 per share.

(iii) In November 2004, 200,000 share options in CRMG were exercised at the exercise price of HK$0.316 per share, resulting in the issue of 200,000 shares of HK$0.02 each.

(iv) In April 2005, 83,000,000 shares of HK$0.02 each in CRMG were issued at a subscription price of HK$0.28 per share. The Group's interest in CRMG was consequently reduced from 66.52% to 59.17%.

(v) In May 2005, 223,000,000 shares of HK$0.02 each in CRMG were issued at subscription price of HK$0.30 per share. The Group's interest in CRMG was further reduced from 59.17% to 45.60%.

(vi) In May 2005, 19,833,333 share options in CRMG were exercised at the exercise price of HK$0.316 per share, resulting in the issue of 19,833,333 shares of HK$0.02 each. The Group's interest in CRMG was further reduced from 45.60% to 44.69%.

(e) Pursuant to an agreement dated 19 August 2004, 72,000,000 new shares of HK$0.10 each of the Company were issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party, at the subscription price of HK$0.33 per share upon completion of the agreement on 24 September 2004. The proceeds before expenses (amounted to HK$655,000) of approximately HK$23,760,000 were used as to approximately HK$20,000,000 for the development of the international business while the balance as the general working capital of the Group.

(f) Pursuant to a special resolution passed on 30 May 2005, the share premium account of the Company as of 31 December 2004 was reduced by an amount of HK$195,665,196 and such amount was transferred to the contributed surplus account of the Company.

(g) Pursuant to the minutes of a directors' meeting held on 30 May 2005, an amount of HK$195,665,196 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004.

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

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

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

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

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

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

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

Consolidated Cash Flow Statement
For the year ended 31 December 2005

	Note	2005	2004
		HK$'000	*HK$'000*
			(restated)
Operating activities			
Loss before taxation		(30,058)	(161,638)
Adjustments for:			
Convertible loan note settlement expense		85	310
Advertising and telecommunication services expenses	*40*	–	11,213
(Reversal of allowance) Allowance for bad and doubtful debts		(702)	7,630
Allowance for inventory obsolescence and write-off of inventories		–	19,041
Amortisation of intangible assets		–	1,830
Amortisation of goodwill		–	6,928
Amortisation of prepaid lease payments		186	646
Depreciation of property and equipment		21,675	43,602
Employee share option benefits		203	219
Loss (Gain) on deemed disposal of CRMG		974	(769)
Dividends from investments		(143)	(1,015)
Gain on dilution of shareholding in subsidiary and associate		(16,289)	–
Impairment loss recognised in respect of available-for-sale investments/ investment securities		10,800	15,500
Impairment loss recognised in respect of goodwill		–	10,000
Impairment loss recognised in respect of property and equipment		–	2,060
Interest expenses		19,240	11,759
(Gain) Loss on disposal of property and equipment		(6,773)	4,746
Increase in fair value of derivative financial instrument		(64)	–
Share of loss of associate		26,728	–

	Note	2005 HK$'000	2004 HK$'000 (restated)
Operating cashflow before movements in working capital		25,862	(27,938)
Increase in inventories		–	(16,759)
(Increase) Decrease in account receivables		(106,777)	131,457
Decrease (Increase) in loan receivables		1,670	(38,118)
(Increase) Decrease in prepayments, deposits and other receivables		(3,822)	26,022
Decrease (Increase) in listed investments held for trading/other investments		10,150	(3,500)
Decrease (Increase) in bank balances – trust and segregated accounts		80,254	(51,100)
(Decrease) Increase in account payables		(34,941)	45,511
(Decrease) Increase in accrued liabilities and other payables		(41,098)	25,254
Cash (used in) from operations		(68,702)	90,829
Hong Kong Profits Tax paid		–	(134)
Dividends received		143	1,015
Interest paid		(17,874)	(11,376)
Net cash (used in) from operating activities		(86,433)	80,334
Investing activities			
Deposit payment for acquisition of online game business by CFSG		(56,095)	–
Additional payment for acquisition of a subsidiary	21(i)	–	(1,400)
Increase in bank deposits under conditions		(343)	(16,219)
Expenses paid for subscription of CFSG's rights shares		–	(800)
Proceeds from disposal of property and equipment		43,279	381
Purchase of property and equipment		(7,539)	(67,151)
Purchase of other investments		–	(10,800)
Statutory and other deposits paid		(947)	(1,601)
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		(163,232)	–
Net cash used in investing activities		(184,877)	(97,590)

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Financing activities		
Decrease in trust receipt loans	–	(3,782)
Increase (Decrease) in bank loans	116,805	(86,603)
Decrease in bank overdrafts	(10,373)	(28,328)
Repayments of obligations under finance leases	(221)	(537)
(Repayments) Proceeds on issue of convertible loan note	(10,000)	40,500
Proceeds on issue of shares	–	23,760
Share issue expenses	–	(655)
Contributions from minority shareholders	62,230	66,476
Dividend paid to minority shareholders by CFSG	(3,677)	–
Interest paid on obligations under finance leases	(15)	(22)
Share issue expenses paid by CFSG and CRMG	(300)	(3,330)
Interest paid on convertible loan note	(1,067)	–
Net cash from financing activities	153,382	7,479
Net decrease in cash and cash equivalents	(117,928)	(9,777)
Cash and cash equivalents at beginning of year	236,147	245,924
Cash and cash equivalents at end of year	118,219	236,147
Being:		
Bank balances (general accounts) and cash	118,219	236,147

Notes to the Financial Statements

For the year ended 31 December 2005

1. General

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 48.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. On 1 January 2005, the Group eliminated the carrying amount of the related accumulated amortisation and impairment of approximately HK$57,620,000 with a corresponding decrease in the cost of goodwill (see note 21). The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to Directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted by the Group after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments: Recognition and Measurement*. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible loan note

The principal impact of HKAS 32 on the Group is in relation to convertible loan note issued by the Group that contains a liability component and an equity component. Previously, convertible loan note was classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into the liability component and equity component on initial recognition. At the date of issue, the liability component is recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

The convertible loan note of the Group also contains an early redemption option which is considered an embedded derivative. Under HKAS 39, derivative embedded in a financial instrument is treated as a separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue.

In subsequent periods, the liability component is measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt or equity securities previously accounted for under benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24")

By 31 December 2004, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "other investments" and "investment securities" amounted to approximately HK$64,700,000 and HK$10,800,000 have been classified as "listed investments held for trading" and "available-for-sale investments" respectively on 1 January 2005 (see note 3 for the financial impact).

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. Club membership of the Group on 1 January 2005 amounting to HK$1,760,000 has been reclassified to available-for-sale financial investments in accordance with the transitional provision of HKAS 39. This change has no material impact to the Group and accordingly no adjustment is required to accumulated losses as at 1 January 2005.

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values for derivatives that are deemed as held for trading are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not qualify as hedging instruments under HKAS 39, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005, amounting to HK$48,000, in the Group's accumulated losses (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

Intangible assets

By 31 December 2004, intangible assets were amortised over their estimated useful lives. HKAS 38 *Intangible Assets* requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its trading rights in the exchanges in Hong Kong on 1 January 2005 and concluded that the trading rights have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortising the trading rights from 1 January 2005 onwards. No amortisation has been charged in relation to the trading rights for the year ended 31 December 2005. As a result, loss for the year has been decreased by approximately HK$1,830,000. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

3. Summary of the effects on application of HKFRSs

The effects of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Depreciation of property and equipment		
Non-depreciation of leasehold land	513	1,314
Salaries, allowances and commission		
Recognition of employee share option benefits	(203)	(219)
Other operating, administrative and selling expenses		
Non-amortisation of goodwill	7,321	–
Non-amortisation of trading rights	1,830	–
Amortisation of prepaid lease payments	(186)	(646)
Finance costs		
Increase in effective interest expense on the liability component of convertible loan note	(284)	(361)
Net loss on investments held for trading		
Increase in fair value of derivative financial instrument	64	–
Convertible loan note settlement expense		
Increase in convertible loan note settlement expense	(85)	(310)
Decrease (Increase) in loss for the year	8,970	(222)

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated)	Retrospective adjustments				As at 31 December 2004 (restated)	Adjustments	As at 1 January 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		HKAS 1	HKAS 17	HKAS 32	HKFRS 2		HKAS 39	
Balance sheet items								
Property and equipment	149,120	–	(48,623)	–	–	100,497	–	100,497
Prepaid lease payments	–	–	49,120	–	–	49,120	–	49,120
Goodwill	57,199	–	–	–	–	57,199	–	57,199
Intangible assets	9,092	–	–	–	–	9,092	–	9,092
Other assets	13,346	–	–	–	–	13,346	(1,760)	11,586
Listed investments held for trading	–	–	–	–	–	–	64,700	64,700
Other investments	64,700	–	–	–	–	64,700	(64,700)	–
Convertible loan note	(40,500)	–	–	666	–	(39,834)	–	(39,834)
Derivative financial instrument	–	–	–	–	–	–	(48)	(48)
Investment securities	10,800	–	–	–	–	10,800	(10,800)	–
Available-for-sale investments	–	–	–	–	–	–	12,560	12,560
Other net assets	123,182	–	–	–	–	123,182	–	123,182
Total effects on assets and liabilities	386,939	–	497	666	–	388,102	(48)	388,054
Share capital	43,748	–	–	–	–	43,748	–	43,748
Accumulated losses	(149,284)	–	497	577	(348)	(148,558)	(48)	(148,606)
Convertible loan note equity reserve	–	–	–	771	–	771	–	771
Share-based payment reserve	–	–	–	–	680	680	–	680
Other reserves	325,375	–	–	–	–	325,375	–	325,375
Minority interests	–	167,100	–	(682)	(332)	166,086	–	166,086
Total effects on equity	219,839	167,100	497	666	–	388,102	(48)	388,054
Minority interests	167,100	(167,100)	–	–	–	–	–	–

The financial effects of the application of the new HKFRSs to the Group's equity on 1 January 2004 are summarised below:

	As originally stated *HK$'000*	HKAS 1 *HK$'000*	HKAS 17 *HK$'000*	HKAS 32 *HK$'000*	HKFRS 2 *HK$'000*	As restated *HK$'000*
Share capital	36,548	–	–	–	–	36,548
Accumulated losses	(5,118)	–	(171)	(374)	(236)	(5,899)
Convertible loan note equity reserve	–	–	–	1,764	–	1,764
Share-based payment reserve	–	–	–	–	461	461
Other reserves	309,470	–	–	–	–	309,470
Minority interests	–	121,210	–	(355)	(225)	120,630
Total effects on equity	340,900	121,210	(171)	1,035	–	462,974

The Group has not early applied the following new standards, amendments and interpretations ("INTs") that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments and INTs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

4. Significant accounting policies

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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.

Goodwill

Goodwill arising on an acquisition of a subsidiary 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 subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a subsidiary 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 value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

During the financial year, due to the dilution of the Group's shareholdings in CRMG as mentioned in Notes 15 and 39, CRMG has become an associate of the Group from being a subsidiary of the Group. The goodwill in respect of the Group's remaining interest in CRMG subsequent to the deemed disposals is classified as goodwill of the resulting associate and recorded at its carrying value upon disposal. Such goodwill is carried at cost less any accumulated impairment losses. For impairment testing purpose, the entire carrying amount is tested for impairment by comparing the carrying amount with its recoverable amount irrespective of whether there is any indication that it may be impaired.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary 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 income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

Investment in associate

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

Revenue recognition

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.

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

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 (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rate per annum:

Buildings	20 years
Leasehold improvements	the shorter of the lease terms and 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3 years

Construction in progress is carried at cost less any identified impairment losses. Depreciation of construction in progress commences when they are available for use (ie. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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 income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

Retirement benefit costs

Payments to the Group's retirement benefits scheme which are defined contribution plans are charged as an expense as they fall due.

Borrowing costs

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset 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

On initial recognition, intangible assets acquired are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment. 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 income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

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

Financial instruments

Financial assets and financial liabilities are amortised 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 three categories, including financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

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. 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including account receivables, loan receivables, deposits, other receivables and bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including accounts payables, accrued liabilities and other payables, obligations under finance lease and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

Convertible loan note issued by the subsidiary company that contain early redemption option, financial liability and equity components are classified separately into respective early redemption option derivative, liability and equity components on initial recognition. On initial recognition, the the liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The early redemption option which is considered an embedded derivative is treated as separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss.

Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The issue costs relating to the equity component are charged directly to equity. The issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan note using the effective interest method. The portion relating to the derivative is charged directly to profit or loss.

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

Equity instruments

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

Derivative financial instruments

The derivative financial instruments are deemed as financial assets held for trading or financial liabilities held for trading and are measured at fair value. Changes in fair values of such derivatives are recognised directly in profit and loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

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.

For financial liabilities, they are removed from the Group's balance sheet (i.e. 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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Equity-settled share-based payment transactions (Share options granted to employees of the subsidiary company)

For share options granted after 7 November 2002 but not yet vested before 1 January 2005 and those options granted after 1 January 2005, 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 the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to other reserve.

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

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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

5. Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2005, a deferred tax asset of approximately HK$3,940,000 in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$42,756,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place. In case where the actual future profits generated are less than expected, a reversal of deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of client of the Group were improved and no impairment of their ability to make payments were noted, reversal of allowances may be required. However, if the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their liability to make payments, additional allowances may be required.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is approximately HK$17,426,000. Details of the recoverable amount calculation are disclosed in note 24.

6. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank borrowings, account receivables, account payables, convertible loan note and derivative financial instruments. 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

Foreign exchange 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 Directors monitor the foreign exchange risk and will enter into leveraged foreign exchange contracts to mitigate the foreign currency risk.

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities. The Board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, 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 receivable. In addition, the Group reviews the recoverable amount for each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

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

7. Revenue

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2005	**2004**
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Fees and commission income	178,720	210,729
Interest income	34,900	36,691
	213,620	247,420
Discontinued operation		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	374,296	876,896
Others	229	73
	374,525	876,969

8. Business and geographical segments

Business segments

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

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services and wealth management
Investment holding	Strategic investments

The Group was also involved in retailing. This operation was discontinued at the end of May 2005 (see note 15).

Geographical segments

All the activities of the Group are based in Hong Kong and all the Group's revenue for both years are derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2005

	Continuing operations				Discontinued operation	
	Financial services	**Investment holding**	**Others**	**Total**	**Retailing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	213,557	63	–	213,620	374,525	588,145
Segment profit (loss)	23,847	(3,918)	21,514	41,443	(8,252)	33,191
Share of loss of associate				(26,728)	–	(26,728)
Finance costs				(16,984)	(2,256)	(19,240)
Unallocated corporate expenses				(16,307)	–	(16,307)
Loss on deemed disposal of subsidiary				–	(974)	(974)
Loss before taxation				(18,576)	(11,482)	(30,058)
Taxation credit				2,999	–	2,999
Loss for the year/period				(15,577)	(11,482)	(27,059)

Balance sheet as at 31 December 2005

	Financial services HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	1,150,965	741	1,151,706
Interest in associate			103,870
Unallocated corporate assets			9,648
Consolidated total assets			1,265,224
LIABILITIES			
Segment liabilities	621,139	–	621,139
Unallocated corporate liabilities			280,004
Consolidated total liabilities			901,143

Other information for the year ended 31 December 2005

	Continuing operations				Discontinued operation	
	Financial services HK$'000	Investment holding HK$'000	Others HK$'000	Total HK$'000	Retailing HK$'000	Consolidated HK$'000
Additions of property and equipment	2,116	–	73	2,189	5,350	7,539
Reversal of allowance for bad and doubtful debts	(702)	–	–	(702)	–	(702)
Recovery of bad debts	–	–	8,294	8,294	–	8,294
Depreciation of property and equipment	10,606	–	1,050	11,656	10,019	21,675
Amortisation of prepaid lease payments	–	–	186	186	–	186
Impairment loss recognised in respect of available-for-sale investments	–	–	10,800	10,800	–	10,800
(Gain) Loss on dilution of shareholding in subsidiary and associate	(8,423)	–	(8,840)	(17,263)	974	(16,289)
Gain on disposal of property and equipment	(43)	–	(6,730)	(6,773)	–	(6,773)

Income statement for the year ended 31 December 2004

	Continuing operations				Discontinued operation	
	Financial services	Investment holding	Others	Total	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Turnover	239,972	5	7,443	247,420	876,969	1,124,389
Segment profit (loss)	20,812	(15,495)	(23,603)	(18,286)	(79,573)	(97,859)
Finance costs				(8,721)	(3,038)	(11,759)
Unallocated corporate expenses				(52,020)	–	(52,020)
Loss before taxation				(79,027)	(82,611)	(161,638)
Taxation charge				(350)	(6)	(356)
Loss for the year				(79,377)	(82,617)	(161,994)

Balance sheet as at 31 December 2004

	Financial services	Retailing	Investment holding	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)			(restated)	(restated)
ASSETS					
Segment assets	1,028,175	444,626	10,800	–	1,483,601
Unallocated corporate assets					51,277
Consolidated total assets					1,534,878
LIABILITIES					
Segment liabilities	690,706	189,262	–	–	879,968
Unallocated corporate liabilities					266,808
Consolidated total liabilities					1,146,776

Other information for the year ended 31 December 2004

	Continuing operations					Discontinued operations	
	Financial services	Investment holding	Others	Unallocated	Total	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
Allowance for inventory obsolescence and write off of inventories	–	–	–	–	–	19,041	19,041
Additions of property and equipment	7,137	–	608	7,350	15,095	20,026	35,121
Amortisation of intangible assets	1,830	–	–	–	1,830	–	1,830
(Reversal of allowance) Allowance for bad and doubtful debts	(1,139)	–	–	2,500	1,361	6,269	7,630
Depreciation of property and equipment	15,906	–	170	1,334	17,410	26,192	43,602
Amortisation of prepaid lease payments	–	–	–	557	557	89	646
Impairment loss recognised in respect of investment securities	–	15,500	–	–	15,500	12,060	27,560
Impairment loss recognised in respect of goodwill	–	10,000	–	–	10,000	–	10,000
Impairment loss recognised in respect of property and equipment	–	–	–	–	–	2,060	2,060
Loss on disposal of property and equipment	7	–	93	–	100	4,646	4,746

9. Salaries, allowances and commission

	Continuing operations		Discontinued operation		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		(restated)		(restated)
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:						
Salaries, allowances and commission	120,478	133,194	38,207	93,753	158,685	226,947
Contributions to retirement benefits schemes	3,289	3,912	1,222	3,917	4,511	7,829
Employee share option benefits	203	219	–	–	203	219
	123,970	137,325	39,429	97,670	163,399	234,995

10. Finance costs

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)		(restated)		(restated)
Interest on:						
Bank overdrafts and loans wholly repayable within five years	15,618	6,316	2,256	3,028	17,874	9,344
Finance leases	15	12	–	10	15	22
Effective interest expense on convertible loan note	1,351	2,393	–	–	1,351	2,393
	16,984	8,721	2,256	3,038	19,240	11,759

11. Directors' remuneration

The remuneration paid or payable to each of the ten (2004: eleven) Directors were as follows:

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Li Yuen Cheuk Thomas	Kwok Oi Kuen Joan Elmond	Miao Wen Hao Felix	Chan Yau Ching Bob	Chan Hak Sin	Leung Ka Kui Johnny	Wong Chuk Yan	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005											
Fees:											
Executive Directors	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:											
Salaries, allowances and benefits in kind	3,766	720	1,160	675	870	1,361	–	–	–	–	8,552
Employee share option benefits	17	17	17	–	17	–	–	–	–	–	68
Contributions to retirement benefits scheme	12	36	58	17	44	62	–	–	–	–	229
Total remuneration	3,795	773	1,235	692	931	1,423	–	100	100	–	9,049

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Li Yuen Cheuk Thomas	Kwok Oi Kuen Joan Elmond	Miao Wen Hao Felix	Chan Yau Ching Bob	Law Ka Kin Eugene	Chan Hak Sin	Leung Ka Kui Johnny	Wong Chuk Yan	2004 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004												
Fees:												
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:												
Salaries, allowances and benefits in kind	3,390	720	1,017	926	724	1,530	708	1,108	–	–	–	10,123
Employee share option benefits	–	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits scheme	24	36	51	21	34	77	29	55	–	–	–	327
Total remuneration	3,414	756	1,068	947	758	1,607	737	1,163	100	100	–	10,650

During the year ended 31 December 2005, Mr Chan Yau Ching Bob and Mr Miao Wen Hao Felix resigned as Executive Directors.

During the year ended 31 December 2004, Mr Law Ka Kin Eugene resigned as an Executive Director.

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

12. Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two (2004: two) were Directors of the Company whose emoluments are included in the disclosures in note 11. The emoluments of the remaining three (2004: three) individuals were as follows:

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Salaries, allowances and benefits in kind	4,286	4,301
Contributions to retirement benefits scheme	122	118
Performance related incentive payments	102	182
Employee share option benefits	12	30
	4,522	4,631

Their remuneration were within the following band:

	2005 Number of Employees	2004 Number of Employees
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	2

13. Loss before taxation

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000* (restated)	*HK$'000*	*HK$'000* (restated)
Loss before taxation has been arrived at after charging (crediting):						
Advertising and promotion expenses	6,051	7,433	10,218	32,761	16,269	40,194
Allowance for inventory obsolescence and write-off of inventories (included in cost of sales)	–	–	–	19,041	–	19,041
Amortisation of intangible assets	–	1,830	–	–	–	1,830
Amortisation of goodwill	–	6,928	–	–	–	6,928
Amortisation of prepaid lease payments	186	557	–	89	186	646
Auditors' remuneration	2,622	1,830	–	850	2,622	2,680
Depreciation of property and equipment:						
Owned assets	11,521	17,220	10,019	26,024	21,540	43,244
Leased assets	135	190	–	168	135	358
	11,656	17,410	10,019	26,192	21,675	43,602
Operating lease rentals in respect of land and buildings:						
Minimum lease payments	16,888	16,772	44,956	109,140	61,844	125,912
Contingent rents	–	–	2,414	3,233	2,414	3,233
	16,888	16,772	47,370	112,373	64,258	129,145
Net foreign exchange loss (gain)	643	(3,566)	–	–	643	(3,566)
Dividends from investments	(143)	(1,015)	–	–	(143)	(1,015)
Impairment loss recognised in respect of property and equipment	–	–	–	2,060	–	2,060

14. Taxation (credit) charge

	Continuing operations		Discontinued operation		Consolidated	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong Profits Tax:						
Provision for the year	941	350	–	–	941	350
Underprovision in prior year	–	–	–	6	–	6
Deferred taxation	(3,940)	–	–	–	(3,940)	–
	(2,999)	350	–	6	(2,999)	356

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

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

	2005	**2004**
	HK$'000	*HK$'000*
		(restated)
Loss before taxation		
Continuing operations	(18,576)	(79,027)
Discontinued operation	(11,482)	(82,611)
	(30,058)	(161,638)
Taxation at income tax rate of 17.5%	(5,260)	(28,287)
Tax effect of share of results of associate	4,677	–
Tax effect of estimated tax losses not recognised	6,319	16,540
Tax effect of expenses not deductible for tax purpose	4,885	17,725
Tax effect of income not taxable for tax purpose	(3,923)	(988)
Tax effect of utilisation of estimated tax losses previously not recognised	(5,817)	(4,532)
Underprovision of taxation in prior years	–	6
Recognition of tax losses/deferred tax assets previously not recognised	(3,940)	–
Others	60	(108)
Taxation for the year	(2,999)	356

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

	Accelerated tax depreciation	Estimated tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2004	(4,589)	4,589	–
Credit (Charge) to income statement	95	(95)	–
At 31 December 2004 and 1 January 2005	(4,494)	4,494	–
Credit to income statement	1,169	2,771	3,940
Eliminated on deemed disposal of CRMG	2,549	(2,549)	–
At 31 December 2005	(776)	4,716	3,940

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities of approximately HK$776,000 have been offset.

In May 2005, CRMG ceased to be a subsidiary of the Group resulting the decrease in unused tax loss of HK$162,681,000. At the balance sheet date, the Group has estimated unused tax losses of HK$428,705,000 (2004: HK$587,250,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,949,000 (2004: HK$25,680,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses HK$401,756,000 (2004: HK$561,570,000) due to the unpredictability of future profit streams.

15. Discontinued operation

In May 2005, subsequent to the issuance of 83,000,000 shares of HK$0.02 each by CRMG on 6 April 2005, the issuance of 223,000,000 shares of HK$0.02 each by CRMG on 19 May 2005 and the exercise of share options resulting in the issuance of 19,833,333 shares of HK$0.02 each by CRMG on 23 May 2005, the Company's interest in CRMG was reduced from 66.52% as at 31 December 2004 to 44.69% at end of May 2005. The Company's interest in CRMG was further reduced to 40.59% as at 31 December 2005. Accordingly, the retailing operation engaged by CRMG was reclassified as discontinued operation under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*. The comparative figures for 2004 were reclassified to conform with the current year presentation.

Please refer to note 22 for share of loss of associate for details.

The loss for the year from discontinued operation is analysed as follows:

	2005	2004
	HK$'000	*HK$'000* (restated)
Loss of retailing operation for the period/year	(10,508)	(82,617)
Loss on deemed disposal of CRMG (note 39)	(974)	–
	(11,482)	(82,617)

The results of the retailing operation for the period from 1 January 2005 to 23 May 2005, which have been included in the consolidated income statement, were as follows:

	Period from 1.1.2005 to 23.5.2005 *HK$'000*	Year ended 31.12.2004 *HK$'000* (restated)
Revenue	374,525	876,969
Cost of sales	(248,565)	(593,557)
Other operating, administrative and selling expenses	(124,193)	(336,793)
Depreciation of property and equipment	(10,019)	(26,192)
Finance costs	(2,256)	(3,038)
Loss before taxation	(10,508)	(82,611)
Taxation	–	(6)
Loss for the period/year	(10,508)	(82,617)

During the period ended 23 May 2005, CRMG paid HK$33,860,000 (2004: HK$26,058,000) in respect of the Group's operating cash flows, paid HK$71,578,000 (2004: HK$45,978,000) in respect of investing activities and received HK$104,429,000 (2004: HK$37,373,000) in respect of financing activities.

16. Loss per share

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 together with the comparative figures for 2004 are based on the following data:

	2005 *HK$'000*	2004 *HK$'000* (restated)
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to equity holders of the Company)	(37,022)	(143,954)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	437,483,827	384,959,237
Effect of dilutive potential ordinary shares on share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	437,483,827	384,959,237

Loss per share

	2005	2004
Continuing and discontinued operations		
Basic and diluted loss per share	HK$(0.08)	HK$(0.37)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to equity holders of the Company	(29,506)	(88,989)

Loss per share

	2005	2004
Continuing operations		
Basic and diluted loss per share	HK$(0.06)	HK$(0.23)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to equity holders of the Company	(7,516)	(54,965)

Loss per share

	2005	2004
Discontinued operation		
Basic and diluted loss per share	HK$(0.02)	HK$(0.14)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share amount for the year ended 31 December 2005 was equal to that of basic loss per share as no diluting event existed.

The calculation of diluted loss per share for 2004 did not:

(i) adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries shares; and

(ii) assume the exercise of the Company's outstanding share options as the exercise prices of these options were higher than the average market price of the shares of the Company.

The following table summaries the impact on basic and diluted loss per share as a result of adjustments arising from changes in accounting policies:

	2005	**2004**
Impact on basic and diluted loss per share		
Figures before adjustments	HK$(0.10)	HK$(0.37)
Adjustments arising from changes in accounting policies (see note 3)	HK$0.02	–
Reported/restated	HK$(0.08)	HK$(0.37)

17. Property and equipment

	Buildings	Construction in progress	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1 January 2004						
– as originally stated	55,000	10,000	96,970	186,388	3,360	351,718
– effect on adopting HKAS 17	(18,807)	–	–	–	–	(18,807)
– as restated	36,193	10,000	96,970	186,388	3,360	332,911
Additions	7,350	–	9,863	17,908	–	35,121
Disposals	–	–	(12,848)	(11,248)	(220)	(24,316)
At 31 December 2004 and 1 January 2005	43,543	10,000	93,985	193,048	3,140	343,716
Additions	–	–	5,547	1,526	466	7,539
Disposals	(9,780)	(10,000)	(1,924)	(55,760)	(350)	(77,814)
Deemed disposal of subsidiary	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005	–	–	44,004	60,485	1,840	106,329
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2004						
– as originally stated	21,668	10,000	53,888	131,136	954	217,646
– effect on adopting HKAS 17	(900)	–	–	–	–	(900)
– as restated	20,768	10,000	53,888	131,136	954	216,746
Provided for the year	1,883	–	18,079	22,497	1,143	43,602
Impairment loss recognised in the income statement	–	–	899	1,161	–	2,060
Eliminated on disposals	–	–	(10,214)	(8,892)	(83)	(19,189)
At 31 December 2004 and 1 January 2005	22,651	10,000	62,652	145,902	2,014	243,219
Provided for the year	712	–	10,168	10,423	372	21,675
Eliminated on disposals	(6,045)	(10,000)	(1,924)	(54,941)	(7)	(72,917)
Eliminated on deemed disposal of subsidiary	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005	–	–	36,057	56,097	1,373	93,527
NET BOOK VALUES						
At 31 December 2005	–	–	7,947	4,388	467	12,802
At 31 December 2004	20,892	–	31,333	47,146	1,126	100,497

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

As at 31 December 2004, buildings with a net book value of HK$16,631,000 held by the Group were pledged to secure general banking facilities granted to the Group.

The net book values of furniture, fixtures and equipment and motor vehicles included an amount of nil (2004: HK$83,000) and HK$389,000 (2004: HK$334,000) respectively in respect of assets held under finance leases.

18. Prepaid lease payments

	2005	**2004**
	HK$'000	*HK$'000*
		(restated)
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong, medium-term lease	–	49,120
Analysed for reporting purposes as:		
Current asset (included in prepayments, deposits and other receivables)	–	876
Non-current asset	–	48,244
	–	49,120

As at 31 December 2004, prepaid lease payments with a net book value of HK$42,210,000 held by the Group were pledged to secure general banking facilities granted to the Group.

19. Investments in securities

Investments in securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investments were reclassified to appropriate categories under HKAS 39 (see note 3).

	Investment securities	**Other investments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Equity securities:			
Non-current			
Unlisted, at cost	312,200	–	312,200
Impairment loss recognised	(301,400)	–	(301,400)
	10,800	–	10,800
Current			
Listed in Hong Kong, at market value	–	64,700	64,700
	10,800	64,700	75,500

20. Available-for-sale investments

Available-for-sale investments as at 31 December, 2005 comprise:

	HK$'000
Unlisted equity securities	10,800
Less: Impairment loss recognised	(10,800)
Total	–

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

Impairment loss is calculated by comparing the carrying amount of investments with the present value of estimated future cash flow from the investments.

21. Goodwill

	HK$'000
COST	
At 1 January 2004	111,500
Arising on additional payment for acquisition of a subsidiary *(note (i))*	1,400
Arising on subscription of CFSG's rights shares	1,919
At 1 January 2005	114,819
Elimination of accumulated amortisation and impairment upon the adoption of HKFRS 3 *(see note 2)*	(57,620)
Deemed disposal of CRMG	(12,871)
Deemed disposal of CFSG	(566)
Transfer of goodwill of CRMG to interest in associate *(note 22)*	(26,336)
At 31 December 2005	17,426
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	40,692
Amortisation charge for the year	6,928
Impairment loss recognised *(note (ii))*	10,000
At 1 January 2005	57,620
Elimination of accumulated amortisation and impairment upon the adoption of HKFRS 3	(57,620)
At 31 December 2005	–
NET BOOK VALUES	
At 31 December 2005	17,426
At 31 December 2004	57,199

Notes:

(i) Pursuant to the sales and purchase agreement relating to the sale and purchase of 700,000 shares in the issued capital of CASH Frederick Taylor Limited (formerly known as Frederick Taylor International Financial Services Limited) entered into between the Group and the vendors dated 1 July 2003, the Group undertook to pay the vendors an additional amount of HK$1,400,000 if certain conditions could be fulfilled in 2004. As these conditions were fulfilled, the Group paid a total amount of HK$1,400,000 to the vendors. Accordingly, the consideration for the acquisition of CASH Frederick Taylor Limited was adjusted.

(ii) Due to continuous losses incurred by the subsidiaries principally engaging in wholesale and retailing of furniture and household goods, the Directors reassessed the recoverable amount of the goodwill arising on acquisition of these subsidiaries and recognised an impairment loss of HK$10,000,000 which was determined with reference to the estimated amount obtainable from the sale of these subsidiaries less cost of disposal.

Particulars regarding impairment testing on goodwill are disclosed in note 24. Until 31 December 2004, goodwill had been amortised over its estimated useful life from 3 to 20 years.

22. Interest in associate

	2005	**2004**
	HK$'000	*HK$'000*
Cost of investment in associate listed in Hong Kong	130,598	–
Share of post-acquisition loss	(26,728)	–
	103,870	–
Fair value of listed investments	227,640	–

As at 31 December 2005, the Group had interests in the following associate:

Name of entity	**Form of business structure**	**Place/ Country of incorporation/ registration**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital/ registered capital held by the Group**	**Proportion of voting power held**	**Principal activity**
					%	%	
CRMG	Incorporated	Bermuda	Hong Kong	Ordinary	40.59	40.59	Retailing

Included in the cost of investment in associate is goodwill of HK$23,924,000 (2004: nil). The movement of goodwill is set out below:

	HK$'000
COST	
At 1 January 2005	–
Arising from change of a subsidiary to an associate on 23 May 2005 (note 15)	26,336
	26,336
Elimination on deemed disposal on 30 December 2005	(2,412)
At 31 December 2005	23,924
CARRYING VALUE – at 31 December 2005	23,924

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

	2005
	HK$'000
Total assets	952,600
Total liabilities	(709,058)
Net assets	243,542
Group's share of net assets of associate	98,878
Revenue	865,647
Loss for the period	(65,833)
Group's share of result of associate for the year	(26,728)

23. Intangible assets

	Club membership *HK$'000*	Trading rights *HK$'000*	Seats in HKEx and HKFE *HK$'000*	Total *HK$'000*
COST				
At 1 January 2004 and 31 December 2004	–	18,235	–	18,235
Reclassified from other assets	1,970	–	199	2,169
Elimination of accumulated amortisation upon the adoption of HKAS 38 (see note 2)	–	(9,143)	–	(9,143)
At 31 January 2005 and 31 December 2005	1,970	9,092	199	11,261
AMORTISATION				
At 1 January 2004	–	7,313	–	7,313
Charged for the year	–	1,830	–	1,830
At 31 December 2004 and 1 January 2005	–	9,143	–	9,143
Elimination of accumulated amortisation upon the adoption of HKAS 38	–	(9,143)	–	(9,143)
At 31 December 2005	–	–	–	–
NET BOOK VALUES				
At 31 December 2005	1,970	9,092	199	11,261
At 31 December 2004	–	9,092	–	9,092

Intangible assets amounting HK$9,092,000 represents trading rights in the exchange in Hong Kong. Until 31 December 2004, the trading rights had been amortised on a straight-line basis over 10 years. In accordance with the transitional provision in HKAS 38, the Group reassessed the useful lives of the trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives and discontinued amortising the trading rights from 1 January 2005 onwards. Particulars regarding impairment testing on the trading rights are disclosed in note 24.

Intangible assets amounting to HK1,970,000 and HK$199,000 represents club memberships and seats in HKEx and HKFE. Until 31 December 2004, the club memberships and the seats in HKEx and HKFE were classified as other assets. On 1 January 2005, in the opinion of the Directors, all were reclassified to intangible assets with indefinite useful life (see note 3).

For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. During the year ended 31 December 2005, management of the Group determines that there is no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

24. Impairment testings on goodwill and trading rights

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 21 and 23 respectively have been allocated to the following cash generating unit ("CGU"). The carrying amounts of goodwill and trading rights (net of accumulated impairment losses) as at 31 December 2005 allocated to this unit are as follows:

	Goodwill	**Trading rights**
	HK$'000	*HK$'000*
Broking – Broking of securities	17,426	9,092

During the year ended 31 December 2005, management of the Group determines that there are no impairment of any of the CGU containing goodwill or trading rights.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period, and discount rate of 7.75%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development.

25. Other assets

	2005	**2004**
	HK$'000	*HK$'000*
Club memberships	–	3,929
Statutory and other deposits	7,564	6,617
Prepayment for advertising and telecommunication services	2,800	8,531
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(2,800)	(5,731)
	7,564	13,346

On 1 January 2005, in the opinion of the Directors, club memberships and seats in HKEx and HKFE amounting to HK$1,970,000 and HK$199,000 were reclassified as intangible assets with indefinite useful life. Moreover, club memberships of HK$1,760,000 were reclassified as available-for-sale investments.

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

The fair values of these assets at the balance sheet date approximate their carrying amounts.

26. Loan receivables

	2005	**2004**
	HK$'000	*HK$'000*
Fixed-rate loan receivables	637	668
Variable-rate loan receivables	76,684	103,695
	77,321	104,363
Less: Allowance for bad and doubtful debts	(38,136)	(64,406)
	39,185	39,957
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	38,460	20,623
Non-current assets (receivable after 12 months from the balance sheet date)	725	19,334
	39,185	39,957

All the loan receivables are denominated in Hong Kong dollars.

Loan receivables with an aggregate carrying value of approximately HK$25,756,000 (2004: HK$22,968,000) are secured by pledged marketable securities.

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	34	34
More than one year but not exceeding two years	34	34
More than two years but not exceeding five years	153	153
More than five years	416	447
	637	668

The effective interest rate (which is equal to contractual interest rate) on the Group's loan receivables is 4.98% (2004: 4.98%). Interest rate term is fixed at the time when entering into loan agreement.

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	38,426	20,589
More than one year but not exceeding two years	23	18,700
More than two years but not exceeding five years	79	–
More than five years	20	–
	38,548	39,289

The effective interest rates (which are equal to contractual interest rate) on the Group's loan receivables are prime rate plus a spread. Interest rate is repriced every six months.

The fair value of the Group's loan receivables as at the balance sheet date, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximate the carrying amount of the receivables.

27. Deposits for acquisition

Pursuant to the circular of CFSG dated 30 November 2005 ("Circular"), CFSG underwent several fund raising transactions and a major acquisition transaction.

The proposed conditional acquisition of Netfield Technology Limited and its subsidiaries (hereinafter collectively referred to as the "Netfield Group"), as elaborated in the Circular, was then completed on 10 January 2006. Under the terms of acquisition, deposit of HK$55,000,000 had been paid as well as related costs of approximately HK$1,095,000 were incurred before the year end date. This sum is presented as "Deposits for acquisition" in the balance sheet.

Further explanations of the related transactions occurred after the year end date is presented in note 47(a) to the financial statements, "Post balance sheet events".

The fair value of this deposit at the balance sheet date approximates its carrying amount.

28. Inventories

	2005	2004
	HK$'000	*HK$'000*
Finished goods held for sale	–	59,013

29. Account receivables

	2005	2004
	HK$'000	*HK$'000*
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	29,894	16,168
Cash clients	94,958	86,935
Margin clients	270,707	183,287
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	70,718	72,989
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	2,275	3,302
Account receivables arising from the business of provision of corporate finance services	1,032	510
Other account receivables	188	1,856
	469,772	365,047

Account receivables are netted off by allowance for bad and doubtful debts of HK$27,872,000 (2004: HK$28,572,000).

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

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

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

Included in account receivables from margin clients arising from the business of dealing in securities is an amount due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	Balance at 31.12.2005	Balance at 1.1.2005	Maximum amount outstanding during the year
	HK$'000	HK$'000	HK$'000
Cash Guardian Limited ("Cash Guardian")	11,569	10,178	11,569

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

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

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	2,373	4,167
31 – 60 days	436	619
61 – 90 days	5	307
Over 90 days	681	575
	3,495	5,668

During the year, there was significant increase in the recoverable value of commission receivable due to significant economic recovery. As a result, a reversal of allowance for bad and doubtful debts of HK$702,000 (2004: nil) has been recognised in the current year.

The fair values of the Group's account receivables at 31 December 2005 approximate to the corresponding carrying amounts.

30. Other financial assets and liabilities

Prepayments, deposits and other receivables

The fair values of the deposits and other receivables included in the accounts at the balance sheet date approximate the corresponding carrying amounts.

Bank balances – trust and segregated accounts

From the Group's ordinary business, it receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed. The fair values of these assets at the balance sheet date approximate their carrying amounts.

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. The fair values of these assets at the balance sheet date approximate their carrying amounts.

Accrued liabilities and other payables

The fair values of the accrued liabilities and other payables at the balance sheet date approximate the corresponding carrying amounts.

31. Investments held for trading

Listed investments held for trading as at 31 December 2005 included:

	HK$'000
Equity securities listed in Hong Kong	35,467

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

32. Derivative financial instrument

	2005	**2004**
	HK$'000	*HK$'000*
Interest rate swap	16	–

Major terms of the interest rate swap are as follows:

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

The above derivative financial instrument is held for trading purpose and is measured at fair value at each balance sheet date. Its fair value is determined based on the agreed interest rate with authorised institutions for equivalent instrument at the balance sheet date.

33. Bank deposits under conditions

	2005	2004
	HK$'000	*HK$'000*
Other bank deposits *(note (a))*	16,207	16,018
Pledged bank deposits *(note (b))*	918	36,766
	17,125	52,784

The fair values of these assets at the balance sheet date approximate their carrying amounts. The bank deposits under conditions carry average fixed interest rate at 1.33% (2004: 0.8%) per annum. The effective interest rates on the Group's bank deposits under conditions are also equal to contracted interest rates.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is withdrawn.

(b) The Group's bank deposits of HK$918,000 (2004: HK$36,766,000) was pledged to secure the general banking facilities granted by a bank. The bank deposits will mature when the banking facilities are withdrawn.

34. Account payables

	2005	2004
	HK$'000	*HK$'000*
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	347,961	353,113
Margin clients	77,148	64,168
Clearing houses, brokers and dealers	–	39,875
Account payables to clients arising from the business of dealing in futures and options	127,446	156,151
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	3,010	3,599
Other account payables	26,400	168,084
	581,965	784,990

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

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

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

The account payables amounting to HK$352,902,000 (2004: HK$433,156,000) was 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.

The fair values of the account payables at the balance sheet date approximate to corresponding carrying amounts.

35. Obligations under finance leases

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

	Minimum lease payments		Present value of minimum lease payments	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases				
Within one year	164	96	150	93
In more than one year but not more than two years	177	–	159	–
	341	96	309	93
Less: future finance charges	(32)	(3)	–	–
Present value of lease obligations	309	93	309	93
Less: Amount due for settlement within 12 months (shown under current liabilities)			150	93
Amount due for settlement after one year			159	–

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

The fair values of the finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximate their carrying amounts.

36. Bank borrowings

	2005	2004
	HK$'000	*HK$'000*
Secured:		
Bank overdrafts	109,301	40,132
Bank loans	142,000	125,897
Trust receipt loans	–	57,200
	251,301	223,229

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

	2005	2004
	HK$'000	*HK$'000*
On demand or within one year	171,737	181,777
More than one year but not exceeding two years	–	6,634
More than two years but not exceeding five years	79,564	34,818
	251,301	223,229
Less: Amount due within one year shown under current liabilities	(171,737)	(181,777)
Amount due after one year	79,564	41,452

The bank borrowings bear interest at commercial rates. These borrowings are used to finance the financing business of the Group.

At 31 December 2005, the Group's bank borrowings of HK$251,301,000 (2004: HK$223,229,000) were secured by:

(a) corporate guarantees from certain subsidiaries of the Company and the Company; and

(b) marketable securities of the Group's clients (with clients' consent).

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 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 33).

Bank overdrafts amounting to HK$109,301,000 (2004: HK$40,132,000) carry interest at either HIBOR plus a spread or Prime rate. Bank loans amounting to HK$142,000,000 (2004: HK$125,897,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Prime rate plus a spread. Interest rate is repriced every one to six months.

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

The Directors consider that the fair values of bank borrowings at the balance sheet date approximate their carrying amounts.

As at the balance sheet date, the Group has undrawn borrowing facility amounting to HK$677,500,000 (2004: HK$429,500,000) with floating rate and expiring within one year.

37. Convertible loan note

Convertible loan note issued by CFSG

On 1 September 2004 CFSG issued convertible loan note amounting to HK$40,500,000 to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party. It bears interest at a rate of 3% per annum and matures on 31 December 2006 or any other date mutually agreed between CFSG and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and is not entitled to vote at general meetings of CFSG. CFSG has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The note is transferable to persons who are not a connected person of CFSG with the consent of CFSG provided that such consent is not required for transfer to the wholly-owned subsidiaries of ARTAR. During the year, CFSG had made partial repayment of the convertible loan note in a total amount of HK$10,000,000. At 31 December 2005, the outstanding amount of the convertible loan note was HK$30,500,000 convertible into a total number of 112,962,962 shares at the initial conversion price of HK$0.27 each (subject to adjustment).

The convertible loan note contains three components, embedded derivative for early redemption, liability and equity elements. Upon the application of HKAS 32 *Financial Instruments*: *Disclosure and Presentation* (see notes 2 and 3 for details), the convertible loan note was split between the liability (including embedded derivative for early redemption) and equity elements, on a retrospective basis. The Directors had assessed the fair value of the early redemption right upon the application of HKAS 39 *Financial Instruments*: *Recognition and Measurement* and considered the fair value is insignificant. The equity element is presented in equity heading "convertible loan note equity reserve". The effective interest rate of the liability component is HIBOR plus a spread.

During the year ended 31 December 2004, CFSG has made full repayment of another convertible loan note in a total amount of HK$125,000,000. This convertible loan note issued to a fellow subsidiary of CFSG bears interest at a rate of 2% and is repayable on or before 31 December 2006. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and is not entitled to vote at general meetings of CFSG. CFSG has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The convertible loan note is transferable with the consent of CFSG.

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

	2005	2004
	HK$'000	*HK$'000*
		(restated)
Liability component at the beginning of the year/at issuance	39,834	39,729
Interest charge	284	105
Partial repayment	(9,876)	–
Liability at the end of the year	30,242	39,834

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

The fair value of the liability component of the convertible loan note at the balance sheet date approximates its carrying amount.

38. Share capital

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2004		500,000	50,000
Increase during the year	*(a)*	500,000	50,000
At 31 December 2004 and 31 December 2005		1,000,000	100,000
Issued and fully paid:			
At 1 January 2004		365,484	36,548
Issue of shares	*(b)*	72,000	7,200
At 31 December 2004 and 31 December 2005		437,484	43,748

Notes:

(a) Pursuant to an ordinary resolution passed on 9 February 2004, the authorised share capital of the Company was increased from HK$50,000,000 to HK$100,000,000 by the creation of an additional 500,000,000 shares of HK$0.10 each.

(b) Pursuant to an agreement dated 19 August 2004, 72,000,000 new shares of HK$0.10 each were issued to ARTAR, an independent third party, at the subscription price of HK$0.33 per share upon completion of the agreement on 24 September 2004. The proceeds of approximately HK$23,760,000 was used as to approximately HK$20,000,000 for the development of the international business while the balance as the general working capital of the Group.

39. Deemed disposal of a subsidiary

During the financial year, CRMG undertook the following transactions:

(a) Pursuant to the two subscription agreements dated 23 March 2005, a total of 83,000,000 ordinary shares of HK$0.02 each were issued to two subscribers at the price of HK$0.28 per share on 6 April 2005.

(b) Pursuant to the placing agreement dated 4 April 2005, a total of 223,000,000 shares of HK$0.02 each were issued to placees at the price of HK$0.30 per share on 19 May 2005.

(c) On 23 May 2005, 19,833,333 share options were exercised at the exercise price of HK$0.316 per share, resulting in the issuance of 19,833,333 shares of HK$0.02 each.

The issuance of the subscription shares and placing shares of CRMG as set out in (a) to (c) had resulted in a dilution of the Group's shareholding in CRMG from 66.52% as at 31 December 2004 to 44.69% as at the end of 23 May 2005. From then onwards CRMG became an associate of the Group and the retailing operation engaged by CRMG was classified as a discontinued operation of the Group as a result of these deemed disposals.

The loss on deemed disposal of CRMG from the above mention transaction amounted to HK$974,000.

The impact of CRMG on the Group's results and cash flows in the current and prior periods is disclosed in note 15.

The net (assets) liabilities of CRMG at the date of deemed disposal were as follows:

	2005
	HK$'000
Net (assets) liabilities disposed of:	
Property and equipment	68,662
Prepaid lease payment	17,646
Inventories	61,492
Trade debtors	6,345
Listed investments held for trading	13,714
Prepayments, deposits and other receivables	106,501
Amount due from group companies	5,304
Deposit under condition	34,400
Bank balances and cash	163,232
Trade creditors	(141,711)
Other creditors and accured charges	(89,912)
Bank loan	(18,957)
Net assets	226,716
Cash and cash equivalents disposed of	163,232

40. Major non-cash transactions

Pursuant to an agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group has not utilised any advertising and telecommunication services (2004: HK$11,213,000).

41. Contingent liabilities

Company and subsidiaries

(a) Cheung Yiu Wing ("Cheung"), the former chairman and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim against the Company alleging that the Company had orally agreed to purchase from Cheung 50 million shares of KPI at a price of HK$1.90 per share and seeking relief against the Company for, inter alia, damages. No discussions had been made between the Company and Cheung in relation to any purchase or intention to purchase the said shares as claimed by Cheung and no agreement of whatever nature, oral or written, had been entered into between the Company and Cheung. In July 2005, the court had delivered the judgement in favour of the Company. Cheung had filed a notice of appeal and the hearing date was fixed by the court on 15 and 16 June 2006. The Directors are of the view that the appeal of Cheung would not be successful. Accordingly, no provision has been made in the financial statements.

(b) Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision has been made in the financial statements.

(c) During the year, Theodore J Marr ("Marr") filed a cross-summons in the United States against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between ILUX Corporation, ("ILUX") a subsidiary of the Company and Marr, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's heads of claim against cross-complainants, and interest. The Directors do not envisage the claim by Marr will be held to be valid. Accordingly, no provision has been made in the financial statements.

Associate

(Being contingent liabilities arising prior to the deemed disposal of CRMG)

(d) (i) In prior year, Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, Pricerite Stores Limited ("PSL"), a the subsidiary of CRMG, as a second defendant, alleging that PSL had agreed to appoint Bates HK as its contracted advertising agent with monthly retainer fee in the sum of HK$320,000 payable to Bates HK. PSL had not appointed Bates HK as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between PSL and Bates HK to such effect.

(ii) Bates China Limited ("Bates China") filed a statement of claim against, inter alia, CRMG as a second defendant, alleging that CRMG had agreed to appoint Bates China as its contracted advertising agent with monthly retainer fee in the sum of HK$150,500 payable to Bates China. CRMG had not appointed Bates China as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between CRMG and Bates China to such effect.

The judgement was delivered in August 2005 in favour of the plaintiffs and the court concluded that the compensation awarded to Bates HK and Bates China were in a sum of approximately HK$3,471,000. However, the Directors had proceeded for appeal and PSL had made payment into the court in the sum of approximately HK$3,471,000 which shall not be paid out from the court until further order of the court. The execution of the judgement is pending final resolution of the appeal.

(e) Chan Pit Wah ("Chan") filed a statement of damages against PSL, alleging that a forklift truck of PSL rolled over Chan's right foot and he has claimed for damages of approximately HK$1,780,000 with interest and costs thereof. During the year ended 31 December 2004, the Group made a provision of HK$570,000. The case was settled during the year ended 31 December 2005, and the court concluded that the compensation awarded to Chan was in a sum of HK$1,150,000. The said sum had been fully recognised and paid up during the year.

(f) Innovision Products Limited ("Innovision") filed a statement of claim against PSL alleging that PSL owed Innovision of approximately HK$520,000 in respect of goods supplied to PSL and the interest on the said amount. During the year ended 31 December 2004, PSL made a provision of HK$249,000. The case has been settled during the year and PSL has made further provision of HK$264,000 and paid HK$438,000 and HK$75,000 for full and settlement of the claim and legal costs respectively.

42. Operating lease commitments

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

	2005	**2004**
	HK$'000	*HK$'000*
Within one year	16,643	95,833
In the second to fifth year inclusive	20,901	117,775
	37,544	213,608

Operating lease payments represent rental payables by the Group for office premises and retail shops. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years. In prior year, in addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop in respect of its discontinued operation.

43. Share option schemes

(A) Share option schemes of the Company

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 29 March 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

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

(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 43,748,382 shares, representing 10% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding 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 and provided in the offer of grant of option.

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

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

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

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

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

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

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of options: outstanding as at 1/1/2004	lapsed in 2004 (Note 2)	outstanding as at 31/12/2004 and 1/1/2005	lapsed in 2005 (Note 2)	outstanding as at 31 December 2005
Directors									
Old Option Scheme	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	1,500,000	(1,500,000)	–	–	–
New Option Scheme	2/12/2003	0.502	2/12/2003-30/11/2005		16,000,000	(1,000,000)	15,000,000	(15,000,000)	–
					17,500,000	(2,500,000)	15,000,000	(15,000,000)	–
Employees									
Old Option Scheme	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	3,000,000	(3,000,000)	–	–	–
					20,500,000	(5,500,000)	15,000,000	(15,000,000)	–

Notes:

(1) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

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

(3) No option was granted, exercised or cancelled during the year.

There was no outstanding share option at 31 December 2005.

(B) Share option schemes of CFSG

Pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002, CFSG adopted the share option scheme ("CFSG New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme"). All the options granted under the CFSG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CFSG Old Option Scheme. The major terms of the CFSG New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

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

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

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

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

- the closing price of the shares 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 CFSG New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

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

					Number of options							
Name of scheme	Date of grant	Exercise price per share *HK$*	Exercise period	*Notes*	outstanding as at 1/1/2004	adjusted on 24/4/2004	lapsed in 2004	outstanding as at 31/12/2004	granted in 2005 *(note 4)*	exercised in 2005 *(note 3)*	lapsed in 2005 *(note 5)*	outstanding as at 31/12/2005
Directors												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	*(1)&(2)*	8,160,000	2,448,000	(10,608,000)	–	–	–	–	–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	*(1)*	8,750,000	2,625,000	(11,375,000)	–	–	–	–	–
	2/12/2003	0.34	2/12/2003-30/11/2005	*(1)*	19,600,000	5,880,000	(3,185,000)	22,295,000	–	–	(22,295,000)	–
	6/10/2005	0.38	6/10/2005-31/10/2006		–	–	–	–	38,700,000		–	38,700,000
					36,510,000	10,953,000	(25,168,000)	22,295,000	38,700,000	–	(22,295,000)	38,700,000
Employees												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	*(1)&(2)*	2,040,000	612,000	(2,652,000)	–	–	–	–	–
	27/3/2001	0.83	1/10/2001-30/9/2004	*(1)&(2)*	754,800	220,320	(975,120)	–	–	–	–	–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	*(1)*	3,750,000	1,125,000	(4,875,000)	–	–	–	–	–
	2/12/2003	0.34	1/6/2004-31/5/2006	*(1)&(2)*	17,750,000	5,115,000	(1,675,000)	21,190,000	–	(13,325,000)	(2,795,000)	5,070,000
	6/10/2005	0.38	6/10/2005-31/10/2006		–	–	–	–	36,300,000	–	–	36,300,000
					24,294,800	7,072,320	(10,177,120)	21,190,000	36,300,000	(13,325,000)	(2,795,000)	41,370,000
					60,804,800	18,025,320	(35,345,120)	43,485,000	75,000,000	(13,325,000)	(25,090,000)	80,070,000

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the CFSG with effect from 24 April 2004. The exercise prices per share were adjusted from HK$1.08 to HK$0.83, from HK$0.60 to HK$0.46 and from HK$0.44 to HK$0.34.

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

(3) On 16 September 2005 and 26 September 2005, 650,000 share options and 12,675,000 shares options were exercised at the exercise price of HK$0.34 per share. The weighted average closing price of the CFSG's shares immediately before the respective date of exercise was HK$0.495 per share and HK$0.470 per share.

(4) The closing price of the share immediately before the date of grant on 6 October 2005 was HK$0.335.

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

(6) No option was cancelled during the year.

The exercise in full of the outstanding 80,070,000 share options at 31 December 2005 would, under the present capital structure of CFSG, result in the issue of 80,070,000 additional shares for a total cash consideration, before expenses, of approximately HK$30,224,000.

During the year ended 31 December 2005, options were granted on 6 October 2005 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK$162,500. No option was granted during the year of 2004. During the year ended 31 December 2003, options were granted on 2 December 2003 and vested over two years. The estimated fair values of the options granted on that date are HK$720,000. HK$40,000 was charged to the profit or loss during the year ended 31 December 2005 while HK$680,000 was charged in the years ended 31 December 2003 and 31 December 2004. The Group recognised the total expenses of HK$202,500 for the year ended 31 December 2005 (2004: HK$219,000) in relation to share options granted by the CFSG.

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

	Share option grant date	
	2 December 2003	**6 October 2005**
Weighted average share price	HK$0.44	HK$0.32
Exercise price	HK$0.44	HK$0.38
Expected volatility	20%	20%
Expected life	2.5 years	1 year
Risk-free rate	1.71%	3.86%
Expected dividend yield	0%	3.125%

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

44. Retirement benefits scheme

The Group operates Mandatory Provident Fund Schemes ("MPF Schemes") under 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 Schemes. In respect of those employees who leave the Group prior to completion of qualifying service period for the employer's voluntary contributions (represents contributions in excess of the mandatory requirements under the Mandatory Provident Fund Schemes Ordinance plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes 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 Schemes.

The employer's contributions to the retirement benefits schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$5,456,000 (2004: HK$8,052,000) and HK$945,000 (2004: HK$223,000) respectively for the year ended 31 December 2005.

45. Commitments

(a) Underwriting commitment

At 31 December 2005, the Group had an underwriting commitment of HK$129,120,750 in respect of the new share public offer under the requirement of a corporate finance business. The deal was completed on 6 January 2006. The underwriting commitment of the Group was then fully discharged.

(b) Capital commitments

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

	2005	**2004**
	HK$'000	*HK$'000*
Capital expenditure commitment in respect of the acquisition of subsidiaries contracted for but not provided in the financial statements	55,000	–

The acquisition of subsidiaries was duly passed at the special general meeting by shareholders and independent shareholders of the Company on 20 December 2005. The acquisition was completed on 10 January 2006 upon the completion of all conditions as stated in the share purchase agreement dated 15 September 2005. Details of the transaction was disclosed in note 47(a).

46. Related party transactions

The Group had the following significant transactions with related parties:

(a) During the year, the Group received placing agent commission of approximately HK$1,312,000 (2004: HK$390,000) from CRMG. The fee was calculated at 1.25% on the total proceeds from the placement of CRMG's shares.

(b) During the year, the Group received interest from margin financing of approximately HK$928,000 (2004: HK$736,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(c) During both years, compensation of key management personnel represented Director's remuneration (see note 11). The Director's remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

(d) During the year ended 31 December 2004, the Group transferred prepayment for advertising and telecommunication services of HK$130,000 to a wholly-owned subsidiary of CRMG for a cash consideration of HK$130,000.

(e) During the year ended 31 December 2004, the Group bought cash coupons of approximately HK$101,000 from a wholly-owned subsidiary of CRMG at their face values.

(f) As at 31 December 2005, amount due from an entity, in which Kwan Pak Hoo Bankee has beneficial interest and is a Director, was HK$11,569,000 (2004: HK$10,178,000) (see note 29).

47. Post balance sheet events

(a) Subsequent to 31 December 2005, CFSG completed its acquisition of 100% interest in the Netfield Group. The transaction was completed on 10 January 2006 and the acquisition cost of HK$110,000,000 was satisfied in cash.

In the opinion of the Directors, it is impracticable to disclose the carrying amounts and fair values of each class of Netfield Group's assets, liabilities and contingent liabilities at the date of acquisition as the information with respect to the carrying amounts and fair values have not yet been finalised up to the date of issue of the financial statements.

(b) On 10 January 2006, 155,000,000 placing shares of HK$0.10 each of CFSG were issued at a placing price of HK$0.40 each to independent third parties. On the same date, 120,000,000 top up shares of HK$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), the immediate holding company of CFSG, at a price of HK$0.40 per share. The gross proceeds of the two transactions of HK$62,000,000 and HK$48,000,000 respectively were raised for settlement of part of the consideration of the acquisition of the Netfield Group as mentioned in (a).

On 18 January 2006, HK$16,200,000 of the convertible loan note issued by CFSG was converted at the initial conversion price of HK$0.27 each, resulting in the issue of 60,000,000 shares of HK$0.10 each.

After the issuance of the placement shares and the top up shares of CFSG and the issuance of the conversion shares by CFSG upon partial exercise of the convertible loan note, the Group's interest in CFSG was reduced from 49.65% before the disposal to 46.30% immediately after the disposal. CFSG was consequently ceased to be a subsidiary of the Company. Under HKAS 14 *Segment reporting*, CFSG is classified under financial services. Loss arising from the disposal of CFSG amounted to HK$5,294,000.

(c) In January 2006, 1,170,000 share options issued by CFSG were exercised at the exercise price of HK$0.34 each, resulting in the issue of 1,170,000 shares of HK$0.10 each for a total consideration (before expenses) of HK$397,800 on 26 January 2006.

(d) On 20 February 2006, the Company and CRMG entered into an agreement pursuant to which CRMG agreed to sell and the Company agreed to purchase 100% equity interest of CASH Retail Management (HK) Limited, a wholly-owned subsidiary of CRMG and whose subsidiaries carry on mainly all retail businesses of CRMG in Hong Kong ("Retail Group"). The consideration shall be the lower of HK$140,000,000 or the aggregate of the amount equivalent to the adjusted combined net asset value of the Retail Group plus the amount due from the Retail Group to the CRMG Group as calculated using the individual audited or unaudited accounts of companies comprising the Retail Group and a premium of HK$20,000,000.

The completion of the agreement is subject to the approval by the shareholders of the Company and the shareholders of CRMG at the respective special general meeting and the release of the audited financial statements of the members of the Retail Group for the year ended 31 December 2005.

In the opinion of the Directors, it is impracticable to disclose impact on business combination from the carrying amounts and fair values of each class of the Retail Group's assets, liabilities and contingent liabilities as the information with respect to the carrying amounts and fair values have not yet been finalised up to the date of issue of the financial statements.

(e) On 27 February 2006, the Group disposed to the purchasers (independent third parties) a total of 54,545,000 shares in CRMG (being about 5% of the entire issued share capital of CRMG) at a total consideration of about HK$30 million. The Group's interest in CRMG was reduced from 40.60% before the disposal to 35.60% immediately after the disposal. The disposal was completed on 27 February 2006 resulting in a gain on disposal of HK$15,039,000.

48. Particulars of principal subsidiaries of the company

Name	Place of incorporation	Paid up issued share capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CFSG	Bermuda	Ordinary HK$104,488,144	51.12*	49.65	Investment holding
CASH Asset Management Limited	Hong Kong	Ordinary HK$200,000	51.12	49.65	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	51.12	49.65	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	51.12	49.65	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$27,000,000	51.12	49.65	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	51.12	49.65	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	51.12	49.65	Money lending

Name	Place of incorporation	Paid up issued share capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CSL	Hong Kong	Ordinary HK$140,000,000	51.12	49.65	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	51.12	49.65	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	Ordinary HK$1,000,000	35.79**	34.76	Financial advisory consultancy

* The Group holds a 49.65% effective interest in CFSG through CIGL and together with Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, controls a total of 51.12% of voting power at general meetings of CFSG. As at 31 December 2004, the Group holds 51.27% interest in CFSG. The dilution in shareholding was a result of the issue by CFSG 132,000,000 shares of HK$0.10 each at a subscription price of HK$0.27 per share and 145,000,000 shares of HK$0.10 each at a subscription price of HK$0.40 per share during the year.

** The Group holds a 34.76% effective interest in CASH Frederick Taylor and controls a 70.00% of voting power at general meetings of CASH Frederick Taylor through the 51.12% of voting power interest in CFSG.

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

None of the subsidiaries has issued debt securities at the end of the year except for CFSG which has issued HK$40,500,000 convertible loan note, in which the Group has no interest.

C. FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND 30 JUNE 2005

The following financial information is extracted from the unaudited interim reports of the Group for the six months ended 30 June 2006 and 30 June 2005, together with accompanying notes to the accounts extracted from the interim report of the Group for the six months ended 30 June 2006.

Consolidated Income Statement

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the six months ended 30 June 2006 together with the comparative figures for the last corresponding period are as follows:

		Unaudited six months ended 30 June	
		2006	**2005**
	Notes	*HK$'000*	*HK$'000* (restated)
Continuing operations:			
Revenue	*(3)*	178,922	95,755
Salaries, commission and related benefits		(90,061)	(52,523)
Other operating, administrative and selling expenses		(57,458)	(39,156)
Depreciation and amortisation		(7,607)	(8,344)
Net increase (decrease) in fair value of listed investments held for trading		3,034	(4,378)
Loss on dilution of shareholding in subsidiary		(4,006)	–
Gain on disposal of partial interest in associate		12,904	–
Loss on dilution of shareholding in associate		–	(974)
Share of profit in associate	*(5)*	13,118	5,197
Finance costs		(27,395)	(5,758)
Impairment loss recognised in respect of goodwill		(5,000)	–
Profit (Loss) before taxation		16,451	(10,181)
Taxation charge	*(6)*	(4,090)	(150)

	Notes	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000 (restated)
Profit (Loss) for the period from continuing operations		12,361	(10,331)
Discontinued operation:			
Loss for the period from discontinued operation	*(8)*	–	(10,507)
Profit (Loss) for the period		12,361	(20,838)
Attributable to shareholders:			
Equity holders of the Company		1,964	(18,762)
Minority interests		10,397	(2,076)
		12,361	(20,838)
Earnings (Loss) per share	*(7)*		
From continuing and discontinued operations:			
– Basic		0.4 cent	(4.3) cents
– Diluted		0.4 cent	(4.3) cents
Earnings (Loss) per share			
From continuing operations:			
– Basic		0.4 cent	(2.6) cents
– Diluted		0.4 cent	(2.6) cents

Consolidated Balance Sheet

	Notes	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Non-current assets			
Property and equipment		96,134	12,802
Prepaid lease payments		17,000	–
Investments property		5,000	–
Goodwill		138,268	17,426
Interests in associate	*(14)*	100,404	103,870
Intangible assets		37,479	11,261
Other assets		23,468	7,564
Loan receivables		110	725
Deposits for acquisition		–	56,095
		417,863	209,743
Current assets			
Inventories		62,267	–
Deferred tax assets		1,390	3,940
Account receivables	*(9)*	549,279	469,772
Loan receivables		54,126	38,460
Prepayments, deposits and other receivables		112,810	19,580
Listed investments held for trading		20,181	35,467
Derivative financial instrument		11	16
Bank deposits under conditions		79,277	17,125
Bank balances – trust and segregated accounts		428,236	352,902
Bank balances (general accounts) and cash		199,082	118,219
		1,506,659	1,055,481
Current liabilities			
Account payables	*(10)*	868,067	581,965
Accrued liabilities and other payables		86,628	35,801
Deferred revenue		429	–
Taxation payable		3,064	1,525
Obligations under finance leases – amount due within one year		152	150
Bank borrowings – amount due within one year		318,842	171,737
Convertible loan note – amount due within one year	*(13)*	–	30,242
		1,277,182	821,420
Net current assets		229,477	234,061
Total assets less current liabilities		647,340	443,804

	Notes	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Capital and reserves			
Share capital	(12)	43,748	43,748
Reserves		141,560	139,596
Equity attributable to equity holders of the Company		185,308	183,344
Equity component of convertible loan note and share option reserve of a listed subsidiary		947	1,464
Minority interests		269,050	179,273
Total equity		455,305	364,081
Non-current liabilities			
Obligations under finance leases – amount due after one year		82	159
Bank borrowings – amount due after one year		91,363	79,564
Amount due to associate		100,590	–
		192,035	79,723
		647,340	443,804

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Net cash used in operating activities	(3,471)	(40,933)
Net cash used in investing activities	(81,245)	(35,979)
Net cash from (used in) financing activities	165,579	(56,776)
Net increase (decrease) in cash and cash equivalents	80,863	(133,688)
Cash and cash equivalents at beginning of period	118,219	236,147
Cash and cash equivalents at end of period	199,082	102,459
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	199,082	102,459

Consolidated Statement of Changes in Equity

		Unaudited six months ended 30 June 2006										
		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Convertible loan note equity reserve HK$'000	Share option reserve and translation reserve HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2006		43,748	99,512	16,724	1,160	12,314	9,886	183,344	581	883	179,273	364,081
Issue of new shares by subsidiary	*(a)*	–	–	–	–	–	–	–	–	–	79,380	79,380
Conversion of CASH Financial Services Group Limited ("CFSG")'s convertible loan note	*(a)*	–	–	–	–	–	–	–	(308)	–	–	(308)
Arising from partial repayment of CFSG's convertible loan note		–	–	–	–	–	–	–	(273)	–	–	(273)
Exchange difference arising from translation of foreign operations		–	–	–	–	–	–	–	–	64	–	64
Net profit for the period		–	–	–	–	–	1,964	1,964	–	–	10,397	12,361
At 30 June 2006		43,748	99,512	16,724	1,160	12,314	11,850	185,308	–	947	269,050	455,305

		Unaudited six months ended 30 June 2005										
		Attributable to equity holders of the Company										
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Convertible loan note equity reserve HK$'000	Share option reserve HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005, as originally stated		43,748	295,177	16,724	1,160	12,314	(149,284)	219,839	–	–	167,100	386,939
Effects of change in accounting polices		–	–	–	–	–	678	678	771	680	(1,014)	1,115
At 1 January 2005, as restated		43,748	295,177	16,724	1,160	12,314	(148,606)	220,517	771	680	166,086	388,054
Amount transferred from share premium to contributed surplus	*(b)*	–	(195,665)	195,665	–	–	–	–	–	–	–	–
Amount transferred to set off accumulated losses	*(c)*	–	–	(195,665)	–	–	195,665	–	–	–	–	–
2004 CFSG final dividend paid		–	–	–	–	–	(3,678)	(3,678)	–	–	–	(3,678)
Arising from partial repayment of a convertible loan note	*(d)*	–	–	–	–	–	–	–	(292)	–	–	(292)
Issue of new shares by CASH Retail Management Group Limited ("CRMG") in April 2005	*(e)*	–	–	–	–	–	–	–	–	–	20,223	20,223
Issue of new shares by CRMG in May 2005	*(f)*	–	–	–	–	–	–	–	–	–	(66,557)	(66,557)
Net loss for the period		–	–	–	–	–	(18,762)	(18,762)	–	–	(2,076)	(20,838)
At 30 June 2005		43,748	99,512	16,724	1,160	12,314	24,619	198,077	479	680	117,676	316,912

Notes:

(a) In January 2006, 155,000,000 shares of HK$0.10 each at a placing price of HK$0.40 per share and 120,000,000 shares of HK$0.10 each at a subscription price of HK$0.40 per share were issued by CFSG on 10 January 2006 and 60,000,000 shares of HK$0.10 each at a conversion price of HK$0.27 per share were issued by CFSG on 18 January 2006 upon the exercise of partial conversion right attaching to the convertible loan note issued on 1 September 2004 by the noteholder in the amount of HK$16,200,000.

(b) Pursuant to a special resolution passed on 30 May 2005, the share premium account of the Company as of 31 December 2004 was reduced by an amount of HK$195,665,196 and such amount was transferred to the contributed surplus account of the Company.

(c) Pursuant to the minutes of a directors' meeting held on 30 May 2005, an amount of HK$195,665,196 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004.

(d) It refers to the difference between the fair value amount allocated to the liability component of a convertible loan note and the repayment amount of HK$4,000,000.

(e) In April 2005, 83,000,000 shares of HK$0.02 each in CRMG at a subscription price of HK$0.28 per share were issued. The Group's interest in CRMG was reduced from 66.53% to 59.17%.

(f) In May 2005, 223,000,000 shares of HK$0.02 each in CRMG at subscription price of HK$0.30 per share were issued. The Group's interest in CRMG was reduced from 59.17% to 44.69%. Please refer to note (5) below for details.

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005 except that certain accounting policies have been newly adopted or updated because they become applicable to the current operations of the Group including:

Revenue recognition

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

- Online game services income is recognised when the playing units purchased by customers are used in playing the online game. Payments received from the sales of prepaid playing units that have not been used, are recorded as deferred revenue.

Intangible assets

On initial recognition, intangible assets acquired separately or from acquisition of subsidiaries are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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 income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

On the other hand, the Group has not early applied the following new Hong Kong Financial Reporting Standards ("HKFRSs") and HKFRSs interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs and HKFRSs interpretations will have no material impact on the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2006.*
[3] *Effective for annual periods beginning on or after 1 December 2005.*
[4] *Effective for annual periods beginning on or after 1 March 2006.*
[5] *Effective for annual periods beginning on or after 1 May 2006.*
[6] *Effective for annual periods beginning on or after 1 June 2006.*

(3) Revenue

	Unaudited six months ended 30 June 2006	2005
	HK$'000	*HK$'000*
Continuing operations:		
Fees and commission income	173,193	95,726
Interest income	–	29
Online game services income	5,729	–
	178,922	95,755
Discontinued operation:		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	–	369,414
Wholesale and retailing of branded household products	–	4,882
	–	374,296

Subsequent to the completion of share placements on 6 April 2005 and 19 May 2005, the Company's interest in CRMG was reduced from 66.52% as at 31 December 2004 to 44.69% as at 19 May 2005. The Company's interest in CRMG was 35.60% at the end of the review period. Accordingly, the retailing operation engaged by CRMG was reclassified as discontinued operations under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operation". The comparative figures for 2005 were reclassified to conform with the current period presentation.

(4) Business and geographical segments

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

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services and wealth management
Online game services	Provision of online game services in the PRC
Investment holding	Strategic investments

The Group was also involved in retailing. This operation was discontinued at the end of May 2005 (see note (8)).

For the activities of financial services and investment holding, they are based in Hong Kong and both the revenue and contribution of these activities are derived from Hong Kong. On the other hand, the online game services are based in the PRC and both the relevant revenue and contribution are derived from the PRC. Therefore, further geographical segment analysis is not necessary.

Income statement for the six months ended 30 June 2006

	Continuing operations			
	Financial services	**Online game services**	**Investment holding**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	173,193	5,729	–	178,922
Segment profit (loss)	33,294	(14,578)	(128)	18,588
Net increase in fair value of listed investments held for trading				3,034
Share of profit of associate				13,118
Finance costs				(4,875)
Unallocated corporate expenses				(17,312)
Impairment loss recognised in respect of goodwill				(5,000)
Gain on disposal of partial interest in associate				12,904
Loss on dilution of shareholding in subsidiary				(4,006)
Profit before taxation				16,451
Taxation charge				(4,090)
Profit for the period				12,361

Income statement for the six months ended 30 June 2005

	Continuing operations				Discontinued operation	
	Financial services	**Investment holding**	**Others**	**Total**	**Retailing**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (restated)	*HK$'000* (restated)
Revenue	95,726	–	29	95,755	374,296	470,051
Segment profit (loss)	11,208	–	29	11,237	(8,251)	2,986
Net decrease in fair value of listed investments held for trading				(4,378)	–	(4,378)
Loss on dilution of shareholding in associate				(974)	–	(974)
Share of profit in associate				5,197	–	5,197
Finance costs				(5,758)	(2,256)	(8,014)
Unallocated corporate expenses				(15,505)	–	(15,505)
Loss before taxation				(10,181)	(10,507)	(20,688)
Taxation charge				(150)	–	(150)
Loss for the period				(10,331)	(10,507)	(20,838)

In prior period, margin financing interest expenses were classified as one of the items in cost of sales. The Directors consider that it is the common practice of the industry to show the margin financing interest expenses as finance costs in the income statement in order to be more informative to the readers. Accordingly, the comparative figures of the margin financing interest expenses were reclassified to conform with the current period's presentation.

(5) Share of profit in associate

In May 2005, subsequent to the issuance of 83,000,000 shares of HK$0.02 each by CRMG on 6 April 2005, the issuance of 223,000,000 shares of HK$0.02 each by CRMG on 19 May 2005 and the exercise of share options resulting in the issuance of 19,833,333 shares of HK$0.02 each by CRMG on 23 May 2005, the Company's interest in CRMG was reduced from 66.52% as at 31 December 2004 to 44.69% at end of May 2005. The Company's interest in CRMG was further reduced to 40.60% as at 31 December 2005. CRMG has ceased to be a subsidiary of the Group and has been equity accounted for by the Group as an associate company since then. Accordingly, the retail operation of CRMG had been recognised and accounted for as a discontinued operation under HKFRS 5.

On 27 February 2006, the Group disposed to the purchasers (independent third parties) of a total of 54,545,000 shares in CRMG (being about 5% of the entire issued capital of CRMG) at a total consideration of about HK$30 million. The Group's interest in CRMG was reduced from 40.60% to 35.60%.

(6) Taxation charge

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Continuing operations:		
Current period		
Hong Kong Profit Tax	4,090	150
Discontinued operation:		
Tax for the current period	–	–

Hong Kong profits tax for both periods has been provided at the rate of 17.5% on the estimated assessable profits for the Group companies after offsetting the respective tax losses brought forward.

No deferred tax asset in respect of tax losses has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

Part of the deferred tax asset of HK$2,500,000 has been utilised in current period due to assessable profit expected to be earned by certain subsidiaries. No other deferred tax asset has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(7) Earnings (Loss) per share

From continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2006 together with the comparative figures for 2005 is based on the following data:

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Profit (Loss) for the purpose of basic and diluted earnings (loss) per share (Profit (Loss) for the period attributable to equity holders of the Company)	1,964	(18,762)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	437,483,827	437,483,827
Effect of dilutive potential ordinary shares on share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	437,483,827	437,483,827

Earnings (Loss) per share

	Unaudited six months ended 30 June	
	2006	**2005**
Continuing and discontinued operations Basic and diluted earnings (loss) per share	0.4 cent	(4.3) cents

From continuing operations

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

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Profit (Loss) for the period attributable to equity holders of the Company	1,964	(11,681)

Earnings (Loss) per share

	Unaudited six months ended 30 June	
	2006	**2005**
Continuing operations		
Basic and diluted earnings (loss) per share	0.4 cent	(2.6) cents

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company is based on the following data:

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Loss for the period attributable to equity holders of the Company	–	(7,516)

Loss per share

	Unaudited six months ended 30 June	
	2006	**2005**
Discontinued operation		
Basic and diluted loss per share	–	(1.7) cents

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share amount for the six months ended 30 June 2006 was equal to that of basic loss per share as no diluting event existed.

The calculation of diluted loss per share for 2005 did not:

(i) adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries shares; and

(ii) assume the exercise of the Company's outstanding share options as the exercise prices of these options were higher than the average market price of the shares of the Company.

(8) Discontinued operation

The results of the retailing operation for the period form 1 January 2005 to 23 May 2005, which have been included in the consolidated income statement, were as follows:

	Unaudited six months ended 30 June	
	2006	**2005**
	HK$'000	*HK$'000*
Revenue	–	374,526
Cost of sales	–	(248,565)
Other operating, administrative and selling expenses	–	(124,193)
Depreciation of property and equipment	–	(10,019)
Finance costs	–	(2,256)
Loss before taxation	–	(10,507)
Taxation	–	–
Loss for the period	–	(10,507)

During the period ended 23 May 2005, CRMG paid HK$33,860,000 in respect of the Group's operation cash flows, paid HK$71,578,000 in respect of investing activities and received HK$104,429,000 in respect of financing activities.

(9) Account receivables

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	27,030	29,894
Cash clients	77,841	94,958
Margin clients	340,381	270,707
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	96,664	70,718
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,686	2,275
Account receivables arising from the business of provision of corporate finance service	1,762	1,032
Trade debtors and other account receivables	1,915	188
	549,279	469,772

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

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

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

Included in account receivables from margin clients arising from the business of dealing in securities is an amount due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	**Balance at 30.06.2006**	**Balance at 31.12.2005**	**Maximum amount outstanding during the period**
	HK$'000	*HK$'000*	*HK$'000*
Cash Guardian Limited ("Cash Guardian")	12,073	11,569	12,073

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

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

	30 June 2006	**31 December 2005**
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0-30 days	3,683	2,373
31-60 days	1,469	436
61-90 days	245	5
Over 90 days	1,966	681
	7,363	3,495

(10) Account payables

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	398,199	347,961
Margin clients	72,537	77,148
Clearing houses, brokers and dealers	749	–
Account payables to clients arising from the business of dealing in futures and options	142,826	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	1,078	3,010
Account payables arising from the business of the online game services	311	–
Trade creditors and other account payables	252,367	26,400
	868,067	581,965

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

Amounts due to margin clients are repayable on demand.

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

No aged analysis for the above account payables is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of these businesses.

The aged analysis of trade creditors and other account payables at the balance sheet date is as follows:

	30 June 2006 (Unaudited) *HK$'000*	31 December 2005 (Audited) *HK$'000*
0-30 days	175,494	26,400
31-60 days	40,736	–
61-90 days	25,223	–
Over 90 days	10,914	–
	252,367	26,400

(11) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank borrowings, account receivables, account payables, convertible loan note and derivative financial instruments. 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

Foreign exchange 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 Directors monitor the foreign exchange risk and will enter into leveraged foreign exchange contracts to mitigate the foreign currency risk.

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities. The Board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, 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 for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

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

(12) Share capital

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006 and 30 June 2006	1,000,000	100,000
Issued and fully paid:		
At 1 January 2006 and 30 June 2006	437,484	43,748

(13) Convertible loan note

The convertible loan note of principal amount of HK$40,500,000 was issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party, by CFSG on 1 September 2004. It bears interest rate of 3% per annum and will mature on 31 December 2006 or any other date mutually agreed between the CFSG Group and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to interest payment date, and is not entitled to vote at general meeting of CFSG. CFSG has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. At 31 December 2005, the outstanding principal amount of the convertible loan note was HK$30,500,000 convertible into a total number of 112,962,962 shares at the initial conversion price of HK$0.27 each (subject to adjustment).

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

(14) Interests in associate

	30 June 2006 (Unaudited) *HK$'000*	**31 December 2005** (Audited) *HK$'000*
Cost of investment in associate listed in Hong Kong	87,286	130,598
Share of post-acquisition profit (loss)	13,118	(26,728)
	100,404	103,870

(15) Contingent liabilities

Company and subsidiaries

(a) Cheung Yiu Wing ("Cheung"), a director and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim for HK$60,500,000 against the Company on 18 January 2000 claiming that the Company had orally agreed to purchase from Cheung 50 million shares in KPI at a price of HK$1.90 per share. Cheung claimed against the Company for, inter alia, damages. In July 2005, the court had delivered the judgment in favour of the Company. Cheung had filed a notice of appeal and the appeal was dismissed by the Court of Appeal on 15 June 2006. Accordingly, no provision has been made in the financial statements.

(b) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's cause of action against cross-complainants, and interest. The court had delivered the judgement against Marr and dismissed Marr's claims in September 2006. The Directors do not envisage the claim by Marr will be held to be valid. Accordingly, no provision has been made in the financial statements.

(c) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation.

(d) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited, a non wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision which in the opinion of the Directors is adequate has already been made for the claim.

(e) Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a non wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 30 June 2006. Accordingly, no provision has been made in the financial statements.

(16) Related party transactions

The Group entered into the following transactions with related parties :

		Unaudited six months ended 30 June	
		2006	**2005**
	Notes	*HK$'000*	*HK$'000*
Acquisition of subsidiaries	*(i)*	130,590	–
Directors' remuneration received	*(ii)*	–	960
Rental expenses received	*(iii)*	2,518	420
		133,108	1,380

Notes:

(i) On 30 June 2006 , the Group acquired 100% of the issued share capital of CASH Retail Management (HK) Limited ("CRMG HK") and its subsidiaries at a final cash consideration of HK$130.6 million.

(ii) Director's remuneration was paid by the associate companies to the Group based on the estimated time spent by the Directors on the management of the associate companies.

(iii) The associate companies paid rental expenses to a wholly-owned subsidiary of the Company. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of the Company by the head landlord with reference to the floor area occupied by the associate companies.

(17) Post balance sheet events

On 28 August 2006, the boards of the Group and CRMG jointly announced that the sale and purchase agreement (as amended on 25 August 2006) ("S&P Agreement") was entered into between Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company, and Fit Top Investments Limited ("Offeror"), a company owned and controlled by Ms Tin Yuen Sin Carol who is a director of CRMG. Under the S&P Agreement, CIGL will dispose of approximately 27.0% shareholding in CRMG to the Offeror for a consideration of HK$106,187,431.32. Under the Listing Rules, the transaction contemplated under the S&P Agreement after aggregating the disposal of about 5% shareholding in CRMG on 27 February 2006 would constitute a major disposal of the Company and require the approval of the shareholders. The Company has received approval on the disposal from a closely allied group of shareholders who collectively own approximately 53.95% in nominal value of the shares in the Company. The disposal will be completed on or before 31 October 2006 or such other dates as CIGL and the Offeror may agree, subject to the conditions stipulated in S&P Agreement being fulfilled or waived in accordance with S&P Agreement.

2. STATEMENT OF INDEBTEDNESS

Borrowing

As at 31 August 2006, the Group had total outstanding borrowings of approximately HK$1,064.3 million which comprised of unsecured loan of HK$85.2 million payable to an independent third party on 29 September 2007, HK$100.6 million payable to CRMG as deferred payment on or before 30 June 2007 pursuant to the 2006 S&P Agreement and outstanding bank borrowings of approximately HK$878.5 million. The bank borrowings of approximately HK$878.5 million represented bank loans of approximately HK$817.4 million, trust receipt loans of HK$40.3 million and overdrafts of approximately HK$20.8 million. Bank loan of an aggregate amount of HK$184.8 million was drawn to finance securities margin financing to the Group's clients and were collateralised by securities of the Group's margin clients, which were pledged to the Group by them for the purpose of securing financing from the Group and bank loan of an aggregated amount of HK$589.0 million was drawn to finance initial public offering of new shares to the Group's clients. In addition, the Group had outstanding obligations under finance leases of approximately HK$0.2 million as at 31 August 2006.

As at 31 August 2006, deposits of a total of HK$57.3 million were pledged as collaterals for the general banking facilities granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by the bank. A bank deposit of approximately HK$16.4 million was held for this purpose. Therefore, total bank deposits under conditions were approximately HK$73.7 million as at 31 August 2006.

In addition, as at 31 August 2006, the Group's building with a carrying value of approximately HK$48.0 million was pledged to secure a bank loan and general banking facilities granted to the Group and the Group's motor vehicles with a net book value of approximately HK$0.2 million was charged to secure the obligations under finance leases.

As at 31 August 2006, the Group's bank borrowings of HK$878.5 million were guaranteed by the Company and certain subsidiaries of the Company.

Contingent liabilities

As at 31 August 2006, the Group had litigations/claims as disclosed in the paragraph "Litigation" in this appendix. Save as aforesaid, the Group had no other material contingent liabilities as at 31 August 2006.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 August 2006.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 August 2006.

3. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 30 June 2006, the Group's cash and bank balances were HK$706.6 million. Our liquidity ratio was 1.2 times on 30 June 2006.

Capital commitments

On 31 July 2006, the Group has entered into a license agreement with a Korean licensor for obtaining the license of a massively multiplayer online role-paying game ("MMORPG") and operating the MMORPG in the PRC. Pursuant to the terms of the license agreement, a non-recoupable signing fee of USD1,000,000 was paid and payable before the commercial launchers of the subjected online game and a recoupable license fee equivalent to 20% of the net sales revenue from the subjected online game will be payable by the Group to the licensor for every six months over 2 years with a minimum of USD1,000,000 a year.

Save for disclosed above and the 2006 S&P Agreement Balance Payment, the Group did not have any material capital commitment as at 31 August 2006.

Foreign exchange risk

All of the Group's borrowings are mainly in HK dollar, with the interest rates priced at close to banks' funding costs. By using effective instruments to hedge any adverse changes in interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. As at 31 August 2006, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

4. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's existing cash and bank balances, the present available banking facilities and the expected internally generated funds, the Group will have sufficient working capital for its present requirements, that is, for at least the next twelve months in the absence of unforeseen circumstances.

5. MATERIAL ADVERSE CHANGES

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 December 2005, the date to which the latest published audited financial statements of the Group were made up.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2006, as if it had taken place on 30 June 2006. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2006 is based on unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2006, as shown in the unaudited consolidated balance sheet of the Company as at 30 June 2006 as set out in Appendix I to the Prospectus and the adjustment described below.

	Unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2006	**Adjustment**	**Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company**	**Unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company per share**
	HK$'000	*HK$'000*	*HK$'000*	*HK cents*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on 218,741,913 Rights Shares issued	9,561	60,200	69,761	10.63

Notes:

1. The unaudited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2006 of HK$9,561,000 represent the net assets value attributable to equity holders of the Company of HK$185,308,000, net of goodwill and intangible assets amounted to an aggregate of HK$175,747,000 as shown in the unaudited consolidated balance sheet of the Company as at 30 June 2006 as set out in Appendix I to the Prospectus.

2. The adjustment represents the estimated net proceeds from the Rights Issue of approximately HK$60.2 million calculated based on 218,741,913 Rights Shares to be issued at the subscription price of HK$0.28 per Rights Share and after deduction of estimated related expenses, including sub-underwriting commission, printing and translation costs, registration fees, legal and accountancy charges and other professional fees, of approximately HK$1.0 million. The underwriting commission of HK$705,000 has not been deducted from the estimated net proceeds as the underwriting commission is payable to a subsidiary of the Group.

3. The calculation of the unaudited pro forma consolidated net tangible assets attributable to equity holders of the Company per Share is based on 656,225,740 Shares in issue immediately after the completion of the Rights Issue.

4. No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 June 2006.

5. The net assets value per Share attributable to equity holders of the Company as at 30 June 2006 before the completion of the Rights Issue is HK$0.42. The calculation is based on HK$185,308,000 unaudited consolidated net assets value attributable to equity holders of the Company as at 30 June 2006 and 437,483,827 issued Shares of the Company as at 30 June 2006.

(B) REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the full text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus:

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS TO THE DIRECTORS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (herein collectively referred to as the "Group") set out on pages 125 to 126 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets" in section A of Appendix II to the prospectus issued by the Company dated 31 October 2006 ("Prospectus"). The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared by the Directors of the Company for illustrative purpose only, to provide information about how the rights issue of 218,741,913 rights shares at HK$0.28 per rights share ("Right Issue") of the Company might have affected the financial information presented, for inclusion in Appendix II of the Prospectus. The basis of preparation of the unaudited pro forma statement of adjusted consolidated net tangible assets is set out on pages 125 to 126 of the Prospectus.

Respective responsibilities of Directors of the Company and reporting accountants

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma statement of adjusted consolidated net tangible assets in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma statement of adjusted consolidated net tangible assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of adjusted consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of adjusted consolidated net tangible assets with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma statement of adjusted consolidated net tangible assets is for illustrative purpose only, based on the judgments and assumptions of the Directors of the Company, and, because of its hypothetic nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2006 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma statement of adjusted consolidated net tangible assets has been properly compiled by the Directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of adjusted consolidated net tangible assets as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 October 2006

The following is a summary of the audited consolidated profits and losses accounts and financial positions for each of the three years ended 31 December 2005, together with the relevant notes to the accounts, as extracted from the accountants' reports on the Retail Group included in the circular of the Company already submitted to the Shareholders on 24 May 2006 in respect of the acquisition of the Retail Group. The disclosure of the information below is in compliance of Rule 11.06 to contain items of information as set out in Part B of Appendix 1: 31(3)(b) under the Listing Rules.

(A) FINANCIAL INFORMATION

Combined income statements

		Year ended 31 December		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*8*	836,006	876,896	865,647
Cost of sales		(540,524)	(593,557)	(595,179)
Gross profit		295,482	283,339	270,468
Other income		7,572	3,019	8,268
Selling and distribution costs		(278,469)	(299,674)	(288,417)
Administrative expenses		(50,841)	(54,857)	(56,851)
Other operating expenses		(4,447)	(6,270)	(2,333)
Increase in fair value of investment property		–	–	454
Impairment loss recognised in respect of property, plant and equipment	*14*	–	(2,060)	(4,472)
Impairment loss recognised in respect of goodwill	*16*	–	(1,863)	(1,100)
Finance costs	*9*	(2,802)	(3,038)	(20,630)
Loss before taxation		(33,505)	(81,404)	(94,613)
Taxation	*10*	–	(6)	–
Loss for the year	*11*	(33,505)	(81,410)	(94,613)

Combined balance sheets

		As at 31 December		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*14*	66,601	61,067	50,300
Investment property	*15*	–	–	5,000
Club memberships	*17*	–	1,760	–
Available-for-sale investments	*17*	–	–	1,760
Prepayment for advertising and telecommunication services		7,358	–	–
Rental and utility deposits		12,159	7,018	8,713
		86,118	69,845	65,773
Current assets				
Inventories	*18*	58,507	59,013	47,863
Account receivables	*19*	5,948	1,856	1,238
Prepayments, deposits and other receivables	*19*	32,623	23,898	59,077
Amounts due from fellow subsidiaries	*19*	15,366	6,920	–
Listed investments in securities	*20*	12,565	19,083	–
Listed investments held for trading	*20*	–	–	4,106
Pledged bank deposits	*21*	20,000	36,002	38,900
Bank balances and cash	*21*	197,751	154,346	95,922
		342,760	301,118	247,106
Current liabilities				
Account payables	*22*	172,604	168,084	151,424
Accrued liabilities and other payables	*22*	22,931	20,369	35,608
Amounts due to related companies	*22*	–	–	1,015
Taxation payable		200	145	145
Obligations under finance leases – amount due within one year	*23*	310	30	–
Bank borrowings, secured	*24*	68,680	62,495	51,542
		264,725	251,123	239,734
Net current assets		78,035	49,995	7,372
		164,153	119,840	73,145

		As at 31 December		
		2003	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Equity				
Share capital	*25*	78	78	–
Reserves		(103,074)	(184,484)	(242,906)
		(102,996)	(184,406)	(242,906)
Non-current liabilities				
Bank borrowings, secured	*24*	19,500	15,865	10,555
Obligation under finance leases – amount due after one year	*23*	70	–	–
Amount due to immediate holding company	*26*	247,579	288,381	305,496
		267,149	304,246	316,051
		164,153	119,840	73,145

Combined statements of changes in equity

	Share capital HK$'000 (note a)	Share premium HK$'000	Other reserve HK$'000 (note b)	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st 1 January 2003	78	6,523	–	–	(76,092)	(69,491)
Loss for the year and total recognised income and expenses for the year	–	–	–	–	(33,505)	(33,505)
At 31 December 2003 and 1 January 2004	78	6,523	–	–	(109,597)	(102,996)
Loss for the year and total recognised income and expenses for the year	–	–	–	–	(81,410)	(81,410)
At 31 December 2004	78	6,523	–	–	(191,007)	(184,406)
Effect of change in accounting policy *(note 2)*	–	–	–	16,989	–	16,989
At 1 January 2005	78	6,523	–	16,989	(191,007)	(167,417)
Loss for the year and total recognised income and expenses for the year	–	–	–	–	(94,613)	(94,613)
Other reserve arising from Reorganisation	(78)	(6,523)	6,601	–	–	–
Deemed contribution from the immediate holding company made on the recognition of amount due to immediate holding company	–	–	–	19,124	–	19,124
At 31 December 2005	–	–	6,601	36,113	(285,620)	(242,906)

Notes:

(a) The share capital as at 1 January 2003 and 2004 represented the nominal value of the issued share capital of Pricerite BVI Limited. The share capital as at 31 December 2005 represented the nominal value of the issued share capital of the Company after the completion of the Reorganisation during the year ended 31 December 2005 (as defined in note 1).

(b) Other reserve is arisen from the Reorganisation (as defined in note 1).

Combined cash flows statements

		Year ended 31 December		
		2003	**2004**	**2005**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Loss before taxation		(33,505)	(81,404)	(94,613)
Adjustments for:				
Interest income		(611)	(73)	(1,639)
Interest expenses		2,802	3,038	20,630
Fair value change on investment property		–	–	(454)
Advertising and telecommunication services expense	*32*	8,954	9,427	908
Write-down of inventories		6,493	19,041	11,366
Impairment loss recognised in respect of amounts due from account receivables		–	1,224	845
Impairment loss recognised in respect of amounts due from other receivables		–	5,046	1,488
Depreciation of property and equipment		28,256	24,139	22,413
Impairment loss recognised in respect of goodwill		–	1,863	1,100
Impairment loss recognised in respect of property and equipment		–	2,060	4,472
Loss on disposal of property and equipment		577	4,646	1,947

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	12,966	(10,993)	(31,537)
Decrease (Increase) in rental and utility deposits	362	5,141	(1,695)
(Increase) Decrease in inventories	(1,291)	(13,664)	687
(Increase) Decrease in account receivables	(6,438)	4,550	4
Decrease (Increase) in prepayments, deposits and other receivables	6,775	3,262	(36,019)
Decrease (Increase) in listed investments in securities	28,441	(6,518)	–
Decrease in listed investments held for trading	–	–	14,977
(Increase) Decrease in amounts due from fellow subsidiaries	(12,966)	6,753	6,920
Increase (Decrease) in account payables	21,493	(10,793)	(17,947)
(Decrease) Increase in accrued liabilities and other payables	(9,029)	(2,698)	15,006
Decrease in amount due to ultimate holding company	(1,163)	–	–
Increase in amounts due to related companies	–	–	1,015
Cash generated from (used in) operations	39,150	(24,960)	(48,589)
Hong Kong Profits Tax paid	–	(61)	–
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	39,150	(25,021)	(48,589)

		Year ended 31 December		
		2003	2004	2005
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES				
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	*27*	78	–	–
Interest received		611	73	1,639
Proceeds from disposal of property, equipment		15,576	129	–
Increase in pledged bank deposits		(11,500)	(16,002)	(2,898)
Purchases of property and equipment		(9,544)	(20,026)	(22,155)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	*28*	–	(10,152)	(2,726)
NET CASH USED IN INVESTING ACTIVITIES		(4,779)	(45,978)	(26,140)
FINANCING ACTIVITIES				
Decrease in bank overdrafts		(4,655)	(1,675)	(23)
Increase (Decrease) of trust receipt loans		8,444	(3,782)	(11,025)
New bank loans raised		25,500	22,000	–
Interest paid		(2,802)	(3,038)	(3,641)
Repayments of obligations under finance leases		(539)	(350)	(30)
Repayment of bank loans		–	(26,363)	(5,215)
(Decrease) Increase in amount due to immediate holding company		(854)	40,802	36,239
NET CASH FROM FINANCING ACTIVITIES		25,094	27,594	16,305
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		59,465	(43,405)	(58,424)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		138,286	197,751	154,346
CASH AND CASH EQUIVALENTS AT END OF YEAR		197,751	154,346	95,922

NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation of financial information

The Company was incorporated on 11 May 2005, and became the holding company of the Group pursuant to a reorganisation ("Reorganisation"). Prior to the Reorganisation, Priterite BVI Limited acted as the holding company of the Group.

The Reorganisation undertaken by the Group in anticipation of the current Group structure principally comprised the following:

(a) on 11 May 2005, the Company was incorporated in BVI with its registered shareholder of Pricerite BVI Limited. At incorporation date, the Company was named as PLZ Retail Group Limited;

(b) on 24 October 2005, 100% of the equity interest of 3C Retail Group Limited and its subsidiaries were transferred from Pricerite BVI Limited to the Company at a total consideration of US$60, which represented the nominal value of the issued share capital of 3C Retail Group Limited. On the same date, Pricerite BVI Limited transferred its 100% equity interest of the Company to its immediate holding company, CASH Retail Management Group Limited ("CRMG" previously known as Pricerite Group Limited before the change of the name on 20 July 2005) at a total consideration of US$1, which represented the nominal value of the issued share capital of the Company;

(c) on 9 November 2005, the Company changed its name from PLZ Retail Group Limited to CASH Retail Management (HK) Limited;

(d) on 30 November 2005, CRMG transferred 100% equity interest of Pricerite BVI Limited and its subsidiaries to the Company at a total consideration of US$1. Thereafter, the current Group structure was formed which indicated the completion of the Reorganisation.

For the purpose of this report, the Financial Information of the Group have been prepared using the principle of merger accounting for common control combinations as if the current group reorganisation has been completed as at 1 January 2003 which the Company, Pricerite BVI Limited and its subsidiaries are ultimately controlled by CRMG throughout the Relevant Periods. Subsidiaries accounted for under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA are disclosed in page 90 to 92 of the Circular except for the interest in several subsidiaries which were accounted for as explained below.

The combined income statements and combined cash flows statements of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of their incorporation or registration, where this is a shorter period. The combined balance sheets of the Group as at 31 December 2003, 2004 and 2005 have been prepared to present the assets and liabilities of the Group as at the respective dates as if the current group structure had been in existence at those dates except for the interest in several subsidiaries were accounted for as explained below.

During the Relevant Periods, there were the following changes in the effective interests in subsidiaries which were accounted for by the purchase method of accounting as there are not common control transactions:

(a) Acquisition of 100% equity interest of Cosmos Global Limited and its subsidiaries ("Cosmos Group") during the year ended 31 December 2004, as set out in note 28(i).

(b) Acquisition of 100% equity interest of Wealthy View Investment Limited and its subsidiaries ("Wealthy View Group") during the year ended 31 December 2005, as set out in note 28(ii).

All intra-group transactions, cash flows and balances have been eliminated on combination.

2. Changes in accounting policies/application of Hong Kong Financial Reporting Standards

In 2003, the Group has adopted, for the first time, the Statement of Standard Accounting Practice ("SSAP") No. 12 Income Taxes ("SSAP 12 (Revised)") issued by the HKICPA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) has had no effect on the equity as at 1 January 2003 and on the results for the year ended 31 December 2003 or accounting years before year ended 31 December 2003.

For the year ended 31 December 2005, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the combined statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years of the Group are prepared and presented:

Business combinations

In the year ended 31 December 2005, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the year ended 31 December 2005. This change has no effect on the results for prior years as the goodwill previously capitalised before 1 January 2005 was fully impaired.

In the year ended 31 December 2005, the Group has also applied HKAS 21 "The effects of changes in foreign exchange rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the year ended 31 December 2005, as no foreign operation had been acquired by the Group, hence, the adoption of HKAS 21 has no material financial impact to the Group.

Financial instruments

In the year ended 31 December 2005, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no impact to the financial statements for the Relevant Periods. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt or equity securities previously accounted for under the alternative treatment of SSAP 24

Prior to 1 January 2005, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", or "available-for-sale financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition.

All the investments in equity securities of the Group on 1 January 2005 amounting to HK$19,083,000 has been reclassified to investments held for trading in accordance with transitional provisions of HKAS 39. The adoption of HKAS 39 with respect to the classification and measurement of investments in equity securities has had no material financial impact to the Group, and accordingly no adjustment is required to accumulated losses as at 1 January 2005.

Financial assets and financial liabilities other than investments in equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. Club membership of the Group on 1 January 2005 amounting to HK$1,760,000 has been reclassified to available-for-sale investments. This change has no material financial impact to the Group and accordingly no adjustment is required to accumulated losses as at 1 January 2005.

Prior to the application of HKAS 39, an interest-free non-current amount due to the Company's immediate holding company, CRMG was stated at the nominal amount. HKAS 39 requires all financial assets and financial liabilities to be measured at fair value on initial recognition. Such interest-free loan is measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. The Group has applied the relevant transitional provisions in HKAS 39. As a result of this change in the accounting policy, the carrying amount of the loan as at 1 January 2005 and 31 December 2005 have been decreased by HK$16,989,000 and HK$19,124,000 respectively in order to state the amount due to immediate holding company at amortised cost in accordance with HKAS 39. The Group's capital reserve as at 1 January 2005 and 31 December 2005 have been increased by HK$16,989,000 and HK$36,113,000 respectively, which represents the deemed capital contribution from the immediate holding company made on the recognition of the amount due to immediate holding company. Loss for the year ended 31 December 2005 has been increased by HK$16,989,000 due to the recognition of imputed interest expense (see Note 3 for financial impact).

Investment properties

In the year ended 31 December 2005, the Group, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. Before the adoption of HKAS 40, investment properties under predecessor standard SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provision in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onward. Since the Group has no investment properties in the year ended 31 December 2003 and 2004, hence, this change has had no material effect on the results for the periods before the adoption.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the year ended 31 December 2005, the Group has applied HK(SIC) Interpretation 21 ("HK(SIC) INT-21") Income taxes – Recovery of revalued non-depreciable assets which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) INT-21, this change in accounting policy has been applied retrospectively. This change has had no material effect on the results for the periods and accordingly no adjustment is required for the periods before the adoption.

3. Summary of the effects on changes in accounting policies

The effects of the changes in accounting policies described in Note 2 on the results for the Relevant Periods are as follows:

	Total effects for the year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Fair value changes on investment property *(Note a)*	–	–	454
Imputed interest expenses on amount due to immediate holding company *(Note b)*	–	–	(16,989)
Increase in loss for the year	–	–	(16,535)

Notes:

(a) Effect on adoption of HKAS 40

(b) Effect on adoption of HKAS 39

The cumulative effects of the application of the new HKFRSs on 1 January 2005 as at 31 December 2004 are summarised below:

As at 31 December 2004

	As at 31.12.2004 (originally stated) *HK$'000*	**Adjustment** *HK$'000*	**As at 1.1.2005** (restated) *HK$'000*
Balance sheet items			
Club memberships	1,760	(1,760)	–
Available-for-sale investments	–	1,760	1,760
Listed investments in securities	19,083	(19,083)	–
Listed investments held for trading	–	19,083	19,083
Amount due to immediate holding company	(288,381)	16,989	(271,392)
Other assets and liabilities	83,132	–	83,132
Total effects on assets and liabilities	(184,406)	16,989	(167,417)
Capital reserve	–	16,989	16,989
Other equity	(184,406)	–	(184,406)
Total effects on equity	(184,406)	16,989	(167,417)

The application of the new HKFRSs has had no material effects to the Group's equity as at 1 January 2005.

4. Significant accounting policies

The financial information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below, and in accordance with accounting principles generally accepted in Hong Kong including HKFRSs issued by HKICPA. In addition, the combined financial information includes applicable disclosure required by the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

Goodwill

Goodwill arising on an acquisition of a subsidiary 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 subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a subsidiary 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 value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary, at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

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

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

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 or fair value of items of property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

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

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 the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Investment properties

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

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

Impairment loss other than goodwill

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

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

Leases

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 lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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

Inventories

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

Revenue recognition

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

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.

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

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

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

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

Foreign currencies

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

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

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

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

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

Retirement benefits costs

Payments to the Group's retirement benefits scheme which are defined contribution plans are charged as an expense as they fall due.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss of the Group comprises of investments held for trading. At each balance sheet date subsequent to initial recognition, the investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including account receivables, deposits and other receivables, amounts due from fellow subsidiaries, bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories under HKAS 39. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including accounts payable and other payables, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

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.

For financial liabilities, they are removed from the Group's balance sheet when, and only when they are extinguished (i.e. 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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. Application of Hong Kong Financial Reporting Standards

The Group has not early applied the following new standards amendments and interpretation that have been issued but are not yet effective. The Directors of the Company does not expect the application of these new standards, amendments or interpretations will have a material effect on the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	New investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC) – INT 8	Scope of HKFRS 2[5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[6]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2006.

[3] Effective for annual periods beginning on or after 1 December 2005.

[4] Effective for annual periods beginning on or after 1 March 2006.

[5] Effective for annual periods beginning on or after 1 May 2006.

[6] Effective for annual periods beginning on or after 1 June 2006.

6. Key sources of estimation uncertainty

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

Write-down of inventories

The management of the Group reviews an aging analysis at each balance sheet date and identifies the slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at balance sheet date and makes the necessary write-down for obsolete items.

Income taxes

As at 31 December 2005, no deferred tax asset was recognised in the Group's combined balance sheet in relation to the unused tax losses of approximately HK$186,059,000 (2004: HK$139,311,000 and 2003: HK$81,776,000). The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

7. Financial risk management objective and policies

The Group's financial instruments include bank balances and borrowings, pledged bank deposits, account receivables, deposits and other receivables, investments held for trading, amounts due from fellow subsidiaries and related companies, account payables and other payables as well as amounts due to related companies. 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.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has no significant concentration of credit risk on account receivables, with exposure spread over a large number of counterparties and customers.

Interest rate risk

The Group has exposed to both fair value interest rate risk and cash flows interest rate risk through the impact of the rate changes on fixed interest rate bank borrowings and floating interest rate bank borrowings respectively.

The Group's interest bearing financial assets and liabilities are mainly bank balances and bank borrowings. The Group is exposed to interest rate risk through the impact of the rate changes of these bank balances and borrowings.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

8. Turnover and segment information

Turnover represents the invoiced value of sales of furniture and household goods and trendy digital products, net of discounts and returns.

The Group's turnover is substantially derived from the related activities carried out in Hong Kong during the Relevant Periods. Accordingly, no analysis by business and geographical segments is presented.

9. Finance costs

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Interest on:			
Bank loans and overdrafts wholly repayable within five years	2,771	3,028	3,640
Finance leases	31	10	1
Imputed interest expenses on amount due to immediate holding company	–	–	16,989
	2,802	3,038	20,630

10. Taxation

No provision for Hong Kong Profits Tax has been made in the financial information as the Company and its subsidiaries had no assessable profits for the Relevant Periods. Tax charge for the year ended 31 December 2004 represented underprovision of taxation in prior years.

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

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(33,505)	(81,404)	(94,613)
Taxation at income tax rate of 17.5%	(5,863)	(14,246)	(16,557)
Tax effect of income not taxable for tax purpose	(108)	(3)	(346)
Tax effect of expenses not deductible for tax purpose	1,142	4,181	8,722
Tax effect of estimated tax loss not recognised	4,829	10,068	8,181
Underprovision of taxation in prior years	–	6	–
Tax charge	–	6	–

The following is the major deferred tax liabilities and assets recognised and the movements for the Relevant Periods:

	Accelerated tax depreciation	Tax estimated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003	(3,717)	3,717	–
Credit (charge) to income statement	2,236	(2,236)	–
Effect of change in tax rate	(348)	348	–
At 31 December 2003 and 1 January 2004	(1,829)	1,829	–
(Charge) credit to income statement	(708)	708	–
At 31 December 2004 and 1 January 2005	(2,537)	2,537	–
(Charge) credit to income statement	(1,104)	1,104	–
At 31 December 2005	(3,641)	3,641	–

At the balance sheet date, the Group had unused estimated tax losses of HK$206,865,000 (2004: HK$153,808,000 and 2003: HK$92,227,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$20,806,000 (2004: HK$14,497,000 and 2003: HK$10,451,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$186,059,000 (2004: HK$139,311,000 and 2003: HK$81,776,000) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

11. Loss for the year

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year has been arrived at after charging (crediting):			
Impairment loss in respect of amounts due from account receivables (included in other operating expenses)	–	1,224	845
Impairment loss in respect of amounts due from other receivables (included in other operating expenses)	–	5,046	1,488
Write-down of inventories (included in cost of sales)	6,493	19,041	11,366
Auditors' remuneration	649	813	1,450
Depreciation of property and equipment			
Owned assets	28,051	23,971	22,413
Leased assets	205	168	–
	28,256	24,139	22,413
Loss on disposal of property and equipment	577	4,646	1,947
Operating lease rentals in respect of land and buildings			
Minimum lease payments	106,702	109,140	94,975
Contingent rents *(Note)*	2,390	3,233	5,553
	109,092	112,373	100,528
Staff costs (including Directors' remuneration)			
Wages and salaries	90,642	89,050	95,563
Redundancy costs	–	2,000	–
Contributions to retirement benefits scheme	3,893	3,917	3,031
	94,535	94,967	98,594
Net realised result on disposal and change in fair value of listed investments in securities/listed investments held for trading	4,447	(523)	(2,161)
Interest income	(611)	(73)	(1,639)
Net foreign exchange (gain) loss	(372)	(7)	10

Note: Amount of contingent rent is determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

12. Directors' remuneration

The remuneration of Directors during the Relevant Periods were as follows:

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Kwok Lai Ling Elaine	Leung Siu Pong James	Li Yuen Cheuk Thomas	Law Tang Fai James	Ng Kung Chit Raymond	Total 2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2003								
Other remuneration paid to Directors:								
Salaries, allowances and benefits in kind	–	–	180	480	–	791	–	1,451
Contributions to retirement benefits scheme	–	–	9	12	–	10	–	31
Performance related incentive payments	–	–	21	–	–	–	–	21
	–	–	210	492	–	801	–	1,503

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Kwok Lai Ling Elaine	Leung Siu Pong James	Li Yuen Cheuk Thomas	Law Tang Fai James	Ng Kung Chit Raymond	Total 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004								
Other remuneration paid to Directors:								
Salaries, allowances and benefits in kind	600	–	271	460	–	271	–	1,602
Contributions to retirement benefits scheme	12	–	12	12	–	5	–	41
	612	–	283	472	–	276	–	1,643

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Kwok Lai Ling Elaine	Leung Siu Pong James	Li Yuen Cheuk Thomas	Law Tang Fai James	Ng Kung Chit Raymond	Total 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005								
Other remuneration paid to Directors:								
Salaries, allowances and benefits in kind	600	–	600	440	–	630	–	2,270
Contributions to retirement benefits scheme	12	–	30	12	–	9	–	63
	612	–	630	452	–	639	–	2,333

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

13. Employees' emoluments

The five individuals with the highest emoluments in the Group, included two Directors for the year ended 31 December 2003, four Directors for the year ended 31 December 2004 and three Directors for the year ended 31 December 2005, details of whose emoluments are included in note 12 above. The emoluments of the remaining individuals for the Relevant Periods are as follows:

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and benefits in kind	1,491	718	1,298
Contributions to retirement benefits scheme	31	12	37
	1,522	730	1,335

Their remuneration were within the following band:

	Year ended 31 December		
	2003	**2004**	**2005**
	Number of employees	*Number of employees*	*Number of employees*
HK$1,000,000 or less	3	1	2

14. Property and equipment

	Buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2003	15,000	81,201	133,428	4,579	234,208
Additions	–	4,231	5,063	250	9,544
Disposal of a subsidiary	–	(539)	(248)	–	(787)
Disposals	(15,000)	(3,486)	(2,054)	(1,278)	(21,818)
At 31 December 2003	–	81,407	136,189	3,551	221,147
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2003	–	47,868	81,926	2,534	132,328
Provided during the year	51	12,897	14,821	487	28,256
Eliminated on disposal of a subsidiary	–	(258)	(115)	–	(373)
Eliminated on disposals	(51)	(3,294)	(1,328)	(992)	(5,665)
At 31 December 2003	–	57,213	95,304	2,029	154,546
CARRYING VALUE					
At 31 December 2003	–	24,194	40,885	1,522	66,601

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2004	–	81,407	136,189	3,551	221,147
Additions	–	4,967	15,059	–	20,026
Acquired on acquisition of subsidiaries	4,600	11	803	–	5,414
Disposals	–	(12,531)	(11,006)	(220)	(23,757)
At 31 December 2004	4,600	73,854	141,045	3,331	222,830
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	–	57,213	95,304	2,029	154,546
Provided during the year	–	9,495	14,181	463	24,139
Impairment loss recognised in the income statement	–	899	1,161	–	2,060
Eliminated on disposals	–	(10,077)	(8,824)	(81)	(18,982)
At 31 December 2004	–	57,530	101,822	2,411	161,763
CARRYING VALUE					
At 31 December 2004	4,600	16,324	39,223	920	61,067

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2005	4,600	73,854	141,045	3,331	222,830
Additions	–	18,850	3,305	–	22,155
Acquired on acquisition of subsidiaries	–	–	456	–	456
Transferred to investment property	(4,600)	–	–	–	(4,600)
Disposals	–	(11,254)	(8,860)	–	(20,114)
At 31 December 2005	–	81,450	135,946	3,331	220,727
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2005	–	57,530	101,822	2,411	161,763
Provided during the year	54	9,333	12,614	412	22,413
Impairment loss recognised in the income statement	–	1,236	3,236	–	4,472
Eliminated on transfer to investment property	(54)	–	–	–	(54)
Eliminated on disposals	–	(10,124)	(8,043)	–	(18,167)
At 31 December 2005	–	57,975	109,629	2,823	170,427
CARRYING VALUE					
At 31 December 2005	–	23,475	26,317	508	50,300

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

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	5 years

Buildings of the Group are situated in Hong Kong and under medium-term leases.

During the year ended 31 December 2005, the Directors reassessed the recoverable amount of the property and equipment of those shops of which their tenancy agreements either will be terminated in the coming year and will not be renewed and recognised an impairment loss of approximately HK$4,472,000 (2004: HK$2,060,000 and 2003: nil).

At 31 December 2003 and 2004, the net book value of motor vehicles included an amount of HK$641,000 and HK$334,000 respectively in respect of assets held under finance leases. The finance lease obligation was fully settled during the year ended 31 December 2005.

15. Investment property

	HK$'000
FAIR VALUE	
At 1 January 2003, 2004 and 2005	–
Transferred from property and equipment	4,546
Increase in fair value during the year	454
At 31 December 2005	5,000

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

The fair value of the Group's investment property at 31 December 2005 has been arrived at on the basis of a valuation carried out at that date by Knight Frank Hong Kong Limited, independent qualified professional valuer not connected with the Group. Knight Frank Hong Kong 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 comparable market transactions and rental yield for similar properties.

The investment property is located in Hong Kong and held under medium-term lease.

16. Goodwill

	HK$'000
COST	
At 1 January 2003 and 2004	–
Arising on acquisition of subsidiaries *(note 28 (i))*	1,863
At 1 January 2005	1,863
Arising on acquisition of subsidiaries *(note 28 (ii))*	1,100
At 31 December 2005	2,963
IMPAIRMENT	
At 1 January 2003 and 2004	–
Impairment loss recognised in the income statement	1,863
At 1 January 2005	1,863
Impairment loss recognised in the income statement	1,100
At 31 December 2005	2,963
CARRYING VALUE	
At 31 December 2003, 2004 and 2005	–

For the purposes of impairment testing, goodwill has been allocated to three individual cash generating units ("CGUs"). The carrying amounts of the relevant goodwill as at 31 December 2005 allocated to these units are as follows:

	Goodwill	Impairment loss recognised	Carrying value
	HK$'000	*HK$'000*	*HK$'000*
Wholesale and retailing of branded household products (Unit A)	1,863	(1,863)	–
Retailing of furniture, household and personal care products (Unit B)	1,100	(1,100)	–
	2,963	(2,963)	–

Due to the continuous losses incurred by the subsidiaries comprising of Unit A and Unit B, the Directors reassessed the recoverable amount of goodwill arising on the acquisition of these subsidiaries and recognised an impairment loss of HK$1,863,000 in the year ended 31 December 2004 and HK$1,100,000 in the year ended 31 December 2005 for Unit A and Unit B respectively.

Such impairment losses for goodwill will not be reversed in subsequent periods in accordance with the Group's accounting policies set out in note 4.

17. Club memberships/available-for-sale investments

Upon the adoption of HKAS 39 on 1 January 2005, the Group's club memberships of HK$1,760,000 have been reclassified to available-for-sale investments.

Available-for-sale investments are stated at fair value. Fair values of those investments have been determined by reference to bid price quoted in the secondary market.

18. Inventories

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods held for sale	58,507	59,013	47,863

19. Other current financial assets

The Group generally allows an average credit period of 30 – 90 days to trade debtors. The aged analysis of account receivables at each of the balance sheet dates are as follows:

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	5,808	985	981
31 – 60 days	103	430	27
61 – 90 days	5	144	29
Over 90 days	32	297	201
	5,948	1,856	1,238

Amounts due from fellow subsidiaries were unsecured, interest free and repayable on demand.

The Directors consider that the carrying amount of the current financial assets noted above approximate their fair values.

20. Listed investments in securities/listed investments held for trading

Upon the adoption of HKAS 39 on 1 January 2005, the Group's listed investments in securities were reclassified to listed investments held for trading.

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Listed investments in securities			
Equity securities listed on the Stock Exchange	12,565	19,083	–
Listed investments held for trading			
Equity securities listed on the Stock Exchange	–	–	4,106

The fair values of the listed investments held for trading and listed investments in securities are determined based on quoted market bid price available on the Stock Exchange.

21. Pledged bank deposits and bank balances and cash

The pledged bank deposits were denominated in Hong Kong dollars bearing floating interest at prevailing market rate.

The Directors consider that the carrying amount of pledged bank deposits and bank balances approximate its fair values.

22. Other current financial liabilities

Account payables, accrued liabilities and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

The average period taken for trade purchase is 30 to 90 days. The aged analysis of account payables at the respective balance sheet dates is as follows:

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	66,118	94,520	86,851
31 – 60 days	42,636	40,880	23,992
61 – 90 days	41,761	21,203	18,473
Over 90 days	22,089	11,481	22,108
	172,604	168,084	151,424

Amounts due to related companies are unsecured, interest free and repayable on demand.

The Directors consider that the fair value of the current financial liabilities listed above approximates their carrying amount.

23. Obligations under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	2003	2004	2005	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases						
Within one year	321	32	–	310	30	–
In the second to fifth year inclusive	71	–	–	70	–	–
	392	32	–	380	30	–
Less: Future finance charges	(12)	(2)	–	–	–	–
Present value of lease obligations	380	30	–	380	30	–
Less: Amount due for payment within one year				(310)	(30)	–
Amount due for payment after one year				70	–	–

The Group leased certain of its motor vehicles under finance leases. The average lease term was 3 years. Interest rates were charged at commercial rates and fixed at the respective contract dates. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets and were secured by guarantees given by a subsidiary.

The fair value of the Group's finance lease obligations, determined based on the present value of the estimated future cash flows discounted using the prevailing market rate at the balance sheet date approximate their carrying amount.

24. Bank borrowings, secured

	As at 31 December		
	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*
Bank overdrafts	1,698	23	–
Trust receipt loans	60,982	57,200	46,175
Bank loans	25,500	21,137	15,922
	88,180	78,360	62,097
The maturity profile of the bank borrowing are as follows:			
Within one year	68,680	62,495	51,542
More than one year, but not exceeding two years	6,000	5,440	5,640
More than two years, but not exceeding five years	13,500	10,425	4,915
	88,180	78,360	62,097
Less: Amount due within one year shown under current liabilities	(68,680)	(62,495)	(51,542)
Amount due after one year	19,500	15,865	10,555

At each of the balance sheet dates, bank borrowings were denominated in Hong Kong dollars.

Trust receipt loans and bank loans bear effective interest rates of approximately 5.7% (2004: 5.0% and 2003: 4.0%) per annum and approximately 5.5% (2004: 3.3% and 2003: 3.2%) per annum respectively.

The trust receipt loans are arranged at floating rates, thus exposing the Group to cash flows interest rate risk. The bank loans are arranged at fixed interest rate, thus exposing the Group to fair value interest rate risk.

The Directors estimate the fair value of the bank borrowings, by discounting their future cash flows at the market rate. The Directors consider that the fair value of the bank borrowings approximates their carrying amount at each balance sheet date.

At each of the balance sheet dates, the Group's bank borrowings and other banking facilities of the Group were secured by:

(i) pledge of certain buildings and prepaid lease payments of CRMG;

(ii) pledge of approximately HK$38,900,000 (2004: HK$36,002,000 and 2003: HK$20,000,000) bank deposits; and

(iii) guarantees given by CRMG.

25. Share capital

For the purpose of this report, the share capital, as at 31 December 2003 and 2004 represented the nominal value of issued capital of Pricerite BVI Limited, details are disclosed as follows:

	Number of share	**Share capital**	
		US$	*HK$'000*
Ordinary shares of US$1 each			
Authorised	50,000	50,000	390
Issued and fully paid			
At 1 January 2003, 2004 and 31 December 2004	10,000	10,000	78

During the year ended 31 December 2005, the Company became the holding company of the Group pursuant to the Reorganisation and at 31 December 2005, share capital represented the nominal amount of CASH Retail Management (HK) Limited, details are disclosed as follows:

	Number of share	**Share capital**	
		US$	*HK$'000*
Ordinary shares of US$1 each			
Authorised	50,000	50,000	390
Issued and fully paid			
At 1 January 2005	–	–	–
Issued on incorporation *(Note)*	1	1	–
At 31 December 2005	1	1	–

Note: The Company was incorporated on 11 May 2005.

26. Amount due to immediate holding company

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to immediate holding company	247,579	288,381	305,496

The balance was unsecured, interest free and the counterparty agreed not to request repayment in the next twelve months at each balance sheet dates

As at 31 December 2003 and 2004, the amount due to immediate holding company were stated at nominal value. Upon the adoption of HKAS 39, the amount due to immediate holding company as at 31st December 2005 was measured at amortised cost using the effective interest rate method at balance sheet date subsequent to initial recognition. The effective interest rate is 6.26% for the year ended 31st December 2005. As at 31 December 2003 and 2004 the carrying amount of the amount due to immediate holding company would be equal to HK$235,207,000 and HK$271,392,000 respectively if the balance was measured at amortised cost by applying the prevailing market rate

The Directors consider that the carrying amount of the amount due to immediate holding company approximate its fair value at 31 December 2005.

27. Disposal of a subsidiary

During the year ended 31 December 2003, the Group disposed of 100% of the issued share capital of Cosmos Global Limited to a wholly owned subsidiary of CASH for a consideration of HK$92,000. The net assets disposed of are as follows:

	HK$'000
Net assets disposed of:	
Property and equipment	414
Inventories	1,682
Account receivables	932
Prepayments, deposits and other receivables	552
Bank balances and cash	14
Accounts payable	(3,125)
Accrued liabilities and other payables	(377)
Total consideration	92
Satisfied by:	
Cash	92
Net cash inflow arising on disposal:	
Cash consideration	92
Bank balances and cash disposed of	(14)
	78

The subsidiaries disposed of during the year ended 31 December 2003 contributed approximately HK$914,000 to the Group's turnover and approximately HK$2,608,000 to the Group's loss for the year.

28. Acquisition of subsidiaries

(i) Acquisition of the Cosmos Group – during the year ended 31 December 2004

On 3 November 2004, the Group acquired 100% equity interest of Cosmos Group for consideration of HK$9,678,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,863,000.

The net assets acquired in the respective transaction, and the goodwill arising accordingly are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property and equipment	5,414
Club memberships	1,760
Inventories	5,883
Account receivables	1,682
Prepayments, deposits and other receivables	1,652
Amount due from a wholly-owned subsidiary of CASH	9,678
Bank balances and cash	288
Account payables	(6,273)
Accrued liabilities and other payables	(136)
Amounts due to CASH and its subsidiaries	(11,371)
Bank overdraft	(762)
	7,815
Goodwill	1,863
	9,678
SATISFIED BY	
Cash	9,678
CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration	(9,678)
Bank balances and cash acquired	288
Bank overdraft acquired	(762)
Net outflow of cash and cash equivalents in respect of the acquisition of Cosmos Group	(10,152)

The goodwill arising on acquisition of the Cosmos Group is attributable to the anticipated profitability of the Cosmos Group.

The Cosmos Group is engaged in retailing business in the PRC. However, after the acquisition, the Group reassessed the business market of the Cosmos Group and considered that the business principally engaged by the Cosmos Group is unprofitable. As a result, the recoverable amount of the goodwill arising on acquisition of the Cosmos Group was reassessed by the Directors and an impairment loss HK$1,863,000 was recognised in the year ended 31 December 2004.

The Cosmos Group contributed approximately HK$3,164,000 to the Group's turnover and a loss of approximately HK$8,150,000 to the Group's loss from operating activities for the period between the date of acquisition and 31 December 2004.

(ii) Acquisition of the Wealthy View Group – during the year ended 31 December 2005

On 19 April 2005, the Group acquired 100% equity interest of Wealthy View Group from an independent third party for consideration of HK$4,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,100,000.

The net assets acquired in the respective transaction, and the goodwill arising accordingly are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property and equipment	456
Inventories	903
Account receivables	231
Prepayments, deposits and other receivables	1,556
Bank balances and cash	1,274
Account payables	(1,287)
Accrued liabilities and other payables	(233)
	2,900
Goodwill	1,100
	4,000

	Acquiree's carrying amount before combination and fair value
	HK$'000
SATISFIED BY	
Cash	4,000
CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration	(4,000)
Bank balances and cash acquired	1,274
Net outflow of cash and cash equivalents in respect of the acquisition of the Wealthy View Group	(2,726)

The goodwill arising on acquisition of the Wealthy View Group is attributable to the anticipated profitability of the Wealthy View Group.

The Wealthy View Group is engaged in retailing business in the PRC. However, after the acquisition, the Group reassessed the business market of the Wealthy View Group and considered that the business principally engaged by the Wealthy View Group is unprofitable. As a result, carrying value of the goodwill arising on acquisition of the Wealthy View Group was reassessed by the Directors and impairment loss of HK$1,100,000 was recognised in the year ended 31 December 2005, upon the cessation in operating of the Wealthy View Group.

The Wealthy View Group contributed approximately HK$716,000 to the Group's turnover and a loss of approximately HK$3,179,000 to the Group's loss from operating activities for the period between the date of acquisition and 31st December 2005.

If the acquisition for the Wealthy View Group had been completed on 1 January 2005, total group turnover for the year would have been HK$866,717,000, and loss for the year would have been HK$78,438,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and loss of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005 nor is it intended to be a projection of future results.

29. Commitments

(i) Operating lease commitments

The Group as lessee

At each of the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in retail shops which fall due as follows:

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	103,334	80,835	84,156
In the second to fifth year inclusive	122,930	81,259	72,061
After five years	252	–	–
	226,516	162,094	156,217

Operating lease payments represent rental payables by the Group for its retail shops. Leases are negotiated for an average term of six years and rentals are fixed for an average of three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shops when the sales meet certain specified level.

(ii) Capital commitments

At each of the balance sheet dates, the Group had the following capital commitments as follows:

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure in respect of property and equipment contracted for but not provided in the financial statements	216	–	–

(iii) Forward foreign exchange contracts

At each of the balance sheet dates, the Group had the following notional amounts of forward foreign exchange contracts:

	As at 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Buying of Euro	107	–	–
Buying of Japanese yen	77	–	–
Selling of Japanese yen	77	–	–
	261	–	–

At 31 December 2003, the fair values of the above forward foreign exchange contracts were insignificant.

30. Contingent liabilities

(A) (i) During the year ended 31 December 2003, Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, Pricerite Stores Limited ("PSL") as a second defendant, alleging that PSL had agreed to appoint Bates HK as its contracted advertising agent with monthly retainer fee in the sum of HK$320,000 payable to Bates HK. PSL had not appointed Bates HK as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between PSL and Bates HK to such effect.

(ii) In prior year, Bates China Limited ("Bates China") filed a statement of claim against, inter alia, CRMG as a second defendant, alleging that CRMG had agreed to appoint Bates China as its contracted advertising agent with monthly retainer fee in the sum of approximately HK$151,000 payable to Bates China. CRMG had not appointed Bates China as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between CRMG and Bates China to such effect.

The judgement was delivered in August 2005 in favour of the plaintiffs and the court concluded that the compensation awarded to Bates HK and Bates China were in sum of approximately HK$3,471,000 which shall be paid out from the court until further order of the court. The execution of the judgement is pending final resolution of the appeal.

(B) During the year ended 31 December 2003, a customer filed a statement of damages against PSL alleging that a forklift truck of PSL rolled over his right foot and he had claimed for damages of approximately HK$1,780,000 with interest and costs thereof. During the year ended 31 December 2004, the Group made a provision of HK$570,000. The case was settled during the year ended 31 December 2005, and the court concluded that the compensation awarded to the customer was in a sum of HK$1,150,000. The said sum had been fully recognised and paid up during the same year.

(C) During the year ended 31 December 2004, Innovision Products Limited ("Innovision") filed a statement of claim against PSL alleging that PSL owed Innovision of approximately HK$520,000 in respect of goods supplied to PSL and the interest on the said amount. During the year ended 31 December 2004, the Group made a provision of HK$249,000. At 31 December 2005, the case has been settled and the Group has made further provision of HK$264,000 and paid HK$438,000 and HK$75,000 for full and settlement of the claim and legal costs respectively.

(D) During the year ended 31 December 2005, a customer filed a statement of damages against PSL as a second defendant, alleging for personal injury caused by PSL and he has claimed for damages of approximately HK$857,000. No provision has been made in the financial statements as in the opinion of the Directors, the prospect of success of the plaintiff's claim is tenuous.

31. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employee's contribution to the retirement benefit scheme charged to the income statement amounted to approximately HK$3,031,000 (2004: HK$3,917,000 and 2003: HK$3,893,000) for the year ended 31 December 2005.

32. Major non-cash transactions

The Group has the following major non cash transactions during the Relevant Periods:

(i) Pursuant to the agreement entered into between CASH and a third party in 2002, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries, including the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year ended 31 December 2005, the Group utilised advertising and telecommunication services amounting to approximately HK$908,000 (2004: HK$9,427,000 and 2003: HK$8,954,000).

(ii) During the year ended 31 December 2005, property and equipment amounting to HK$4,546,000 was transferred to investment property.

33. Share option schemes

(A) Share option scheme of CRMG

(a) Share option scheme adopted on 21 January 1994 ("CRMG Old Option Scheme")

The major terms of the CRMG Old Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any full-time employee or executive director of any member of the CRMG Group.

(iii) The maximum number of shares in respect of which options may be granted under the CRMG Old Option Scheme must not exceed 10% of the issued share capital of CRMG from time to time.

(iv) The maximum number of shares in respect of which options may be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the CRMG Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CRMG Old Option Scheme from time to time.

(v) No minimum period for which an option must be held before it became exercisable was required.

(vi) The exercise period of an option shall be any period determined by the board of directors of CRMG but shall not be beyond 20 January 2004.

(vii) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CRMG.

(viii) The exercise price of an option must not be less than the higher of:

- a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and

- the nominal value of the share.

(ix) The life of the CRMG Old Option Scheme was originally effective for 10 years until 20 January 2004. On 19 February 2002, the CRMG Old Option Scheme was resolved by the shareholders of CRMG to have been cancelled thereon. However, the options granted under the CRMG Old Option Scheme are still exercisable in accordance with the terms of the CRMG Old Option Scheme.

(b) Share option scheme adopted on 19 February 2002 ("CRMG New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, CRMG adopted the CRMG New Share Option Scheme to replace the CRMG Old Option Scheme. All the options granted under the CRMG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CRMG Old Option Scheme. The major terms of the CRMG New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries, including the CRMG Group and CASH Financial Services Group Limited ("CFSG") and its subsidiaries ("CFSG Group") (together "CASH Group"); or

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

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

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

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

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

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

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

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

- the nominal value of the share.

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

(B) Share option schemes of CASH

(a) Share option scheme adopted on 29 March 1994 ("CASH Old Option Scheme")

The major terms of the CASH Old Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any employee or director of any member of CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the CASH Old Option Scheme must not exceed 10% of the issued share capital of CASH 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 under any option granted to the same participant under the CASH Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CASH Old Option Scheme from time to time.

(v) A grantee was required to hold an option for a minimum of 6 months before the option became exercisable.

(vi) The exercise period of an option granted must not exceed a period of 3 years commencing on the expiry of the above mentioned minimum holding period or 28 March 2004, whichever is earlier.

(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 higher of:

- a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and

- the nominal value of the share.

(ix) The life of the CASH Old Option Scheme was originally effective for 10 years until 28 March 2004. On 19 February 2002, the CASH Old Option Scheme was resolved by the shareholders of CASH to have been cancelled thereon. However, the options granted under the CASH Old Option Scheme are still exercisable in accordance with the terms of the CASH Old Option Scheme.

(b) Share option scheme adopted on 19 February 2002 ("CASH New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted the share option scheme ("CASH New Option Scheme") to replace the share option scheme adopted on 29 March 1994 ("CASH Old Option Scheme"). All the options granted under the CASH Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CASH Old Option Scheme. The major terms of the CASH New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

(ii) The participants 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 New Option Scheme must not exceed 10% of the issued share capital of CASH as at the date of approval of the CASH New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CASH 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 CASH 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 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 New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

(C) Share option schemes of CFSG

(a) Share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme")

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

(i) The purpose was to provide incentives to the participants.

(ii) The participants included any full-time employee or executive director of any member of CFSG Group.

(iii) The maximum number of shares in respect of which options might as granted under the CFSG Old Option Scheme must not exceed 10% of the shares in issue as at the approval of shareholders from time to time and in any event the total maximum number of shares which might be issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of CFSG 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 under any option granted to the same participant under the CFSG Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CFSG Old Option Scheme from time to time.

(v) No minimum period for which an option must be held before it became exercisable was required.

(vi) The exercise period of an option granted must not be less than 3 years and beyond 14 December 2010.

(vii) The acceptance of an option, if accepted, must be made within 3 business days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CFSG.

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

- the closing price of the share on the grant date;
- the average closing price of the share for the 5 trading days immediately preceding the grant; and
- the nominal value of the share.

(ix) The life of the CFSG Old Option Scheme was originally effective for 10 years until 14 December 2010. On 19 February 2002, the CFSG Old Option Scheme was resolved by the shareholders of CFSG to have been cancelled thereon. However, the options granted under the CFSG Old Option Scheme are still exercisable in accordance with the terms of the CFSG Old Option Scheme.

(b) Share option scheme adopted on 19 February 2002 ("CFSG New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002, CFSG adopted the CFSG New Option Scheme to replace the CFSG Old Option Scheme. All the options granted under the CFSG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CFSG Old Option Scheme. The major terms of the CFSG New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

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

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

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

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

- the closing price of the shares 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 CFSG New Option Scheme is effective from 10 years from the date of adoption until 18 February 2012.

34. Related party transactions

Apart from amounts due from fellow subsidiaries, amounts due to related companies, amount due to immediate holding company and pledged assets and guarantee provided by the immediate holding company as disclosed in notes 19, 22, 24 and 26, during the Relevant Periods, the Group entered into the following transactions with related parties that are not members of the Group:

(A) Business transactions

		Year ended 31 December		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH Group:				
Sales of goods	*(i)*	1,108	2,974	–
Acquisition of subsidiaries	*(ii)*	–	9,678	–
Purchase of goods	*(iii)*	2,883	4,462	–
Rental expenses paid	*(iv)*	–	998	3,600
Advertising fee received	*(v)*	990	–	–
Store display income	*(vi)*	1,000	–	–
Sponsorship fee received	*(vii)*	1,000	–	–
Promotion fee received	*(viii)*	300	–	–
Services fee received	*(ix)*	2,251	–	–
Sales of cash coupons	*(x)*	2,780	–	–
Sales of cash coupons issued by a third party	*(xi)*	3,750	–	–
Transfer of prepayment for advertising and telecommunication services	*(xii)*	990	–	–
Disposal of a subsidiary	*(xiii)*	92	–	–
Agency fee paid	*(xiv)*	56	–	–
Services fee paid	*(xv)*	2,251	–	–

		Year ended 31 December		
		2003	**2004**	**2005**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CFSG Group:				
Underwriting commission paid	*(xvi)*	–	390	1,312
Transfer of prepayment for advertising and telecommunication services	*(xvii)*	–	130	–
Sales of cash coupons	*(xviii)*	–	101	–
Rental income	*(xix)*	960	–	–
Purchase of a motor vehicle	*(xx)*	250	–	–

Notes:

(i) The Group sold goods at cost to wholly-owned subsidiaries of CASH.

(ii) During the year ended 31 December 2004, the Group acquired 100% of the issued share capital of and the interest-free shareholder's loan to Cosmos Global Limited of approximately HK$9,678,000 at a total cash consideration of HK$9,678,000 in accordance with the agreement dated 3 November 2004 entered into between the Group and a wholly-owned subsidiary of CASH.

(iii) The Group purchased goods from wholly-owned subsidiaries of CASH. The amount was charged at a price agreed between the parties

(iv) The Group paid rental expenses to a wholly-owned subsidiary of CASH. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of CASH by the head landlord with reference to the floor area occupied by the Group.

(v) The Group received advertising income from a wholly owned-subsidiary of CASH. The amount was charged at a price agreed between the parties.

(vi) The Group received store display income from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.

(vii) The Group received sponsorship fee from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.

(viii) The Group received promotion fee from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.

(ix) A subsidiary of the Group performed certain sales and marketing services to wholly-owned subsidiaries of CASH for which services fees were charged, being an allocation of costs incurred by the Group.

(x) The Group sold cash coupons issued by PSL to a wholly-owned subsidiary of CASH at their face values.

(xi) The Group sold cash coupons issued by a third party to a wholly-owned subsidiary of CASH at their face values.

(xii) The Group transferred prepayment for advertising and telecommunication services to a wholly-owned subsidiary of CASH at a consideration of HK$990,000. The amount was charged at a price agreed between the parties.

(xiii) The Group disposed of 100% of the issued share capital of and the shareholder's loan to Cosmos Global Limited of approximately HK$92,000 at a total cash consideration of HK$92,000 in accordance with the agreement dated 15 April 2003 entered into between the Group and a wholly-owned subsidiary of CASH.

(xiv) The Group paid agency fee to a wholly-owned subsidiary of CASH. The amount was charged at 1% on the selling price of goods in accordance with the agency agreement entered into between the Group and the wholly-owned subsidiary of CASH.

(xv) CASH and its subsidiaries performed certain administrative services for the Group for which services fees were charged, being an allocation of costs incurred by the administration, accounting, company secretarial and information technology departments of CASH.

(xvi) The Group paid underwriting commission to CFSG Group. The amount was calculated at 1.25% (2004: 2.5%) on the total proceeds from the rights issue of the CRMG's shares.

(xvii) During the year ended 31 December 2004, the Group transferred prepayment for advertising and telecommunication services to CSFG Group at a consideration of HK$130,000. The amount was charged at a price agreed between the parties.

(xviii) During the year ended 31 December 2004, the Group sold cash coupons issued by PSL to CFSG Group at their face values.

(xix) The Group received rental income from the CFSG Group. The amount was at a price agreed between the parties.

(xx) The Group purchased a motor vehicle from CFSG Group. The amount was at a price agreed between the parties.

(B) Remuneration of key management

The remuneration of key management of the Group were as follows:

	Year ended 31 December		
	2003	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Short term benefits	4,015	2,928	3,591
Post employment benefits	77	70	80
	4,092	2,998	3,671

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. Subsequent event

Subsequent to 31 December 2005, the Company acquired CRMG's buildings and prepared lease payments situated in No 6 Hong Ting Road, Sai Kung, New Territories at a consideration of HK$48,000,000.

36. Loss per share

Loss per share is not presented herein as such information is not considered meaningful for the purpose of this report.

(B) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2005.

1. PARTICULARS OF DIRECTORS

Executive Directors

Bankee Pak-hoo KWAN

Chairman, 47, MBA, BBA, FFA, MHKIM, MHKSI

Mr Bankee Kwan joined the Board on 9 March 1998. He is in charge of the Group's strategic business development and executive management. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, 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, PRC and an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, and an advisory professor of Nanjing University, PRC. Mr Kwan is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and the chairman of the Hong Kong Retail Management Association. Mr Kwan is also the substantial shareholder of the Company and the chairman of CFSG and CRMG. Mr Kwan is also a member of the remuneration committee of the Company, CFSG and CRMG.

Bernard Ping-wah LAW

CFO, 48, MBA, FCCA, FCPA, MHKSI

Mr Bernard Law joined the Board on 9 March 1998. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CFSG and CRMG.

Kenneth Kin-yick WONG

Deputy CEO, 48, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000 and was appointed to the Board on 3 November 2003. He is in charge of the Group's business development in the Greater China region and the financial services businesses. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking. Mr Wong is also the CEO of CFSG.

Thomas Yuen-cheuk LI

Executive Director, 44, MBA, BBA, MHKSI

Mr Thomas Li joined the Board on 6 May 1998. He is the president of the Group's business development in China and participates in the Group's retailing business in Hong Kong. Mr Li has extensive experience in marketing and general management. Before joining the Group, he held senior executive positions of several leading international banks in Hong Kong and was responsible for business and marketing development, and corporate management. Mr Li is also an executive director of CRMG.

Independent non-executive Directors

Johnny Ka-kui LEUNG

Independent Non-executive Director, 49, LL.B

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee of the Company, and is also an independent non-executive director and a member of the audit committee of CRMG.

Chuk-yan WONG

Independent Non-executive Director, 45, MSc (Business Administration), BBA, CFA, CGA

Mr Wong joined the Independent Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong is also a member of the Audit Committee and the Remuneration Committee of the Company.

Hak-sin CHAN

Independent Non-executive Director, 45, PhD, MBA, BBA

Dr Chan joined the Independent Board on 25 October 2000. Dr Chan has extensive experience in the academia in the USA as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan is also a member of the Audit Committee of the Company.

2. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business	21/F The Center 99 Queen's Road Central Hong Kong
Authorised representatives	Kwan Pak Hoo Bankee Law Ping Wah Bernard
Company secretary	Luke Wing Sheung Suzanne, *a fellow member of the Institute of Chartered Secretaries and Administrators*

Qualified accountant	Yuen Pak Lau Raymond, *a fellow member of Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants*
Audit committee	Leung Ka Kui Johnny *(chairman)* Wong Chuk Yan Chan Hak Sin
Remuneration committee	Leung Ka Kui Johnny *(chairman)* Wong Chuk Yan Kwan Pak Hoo Bankee
Auditors	Deloitte Touche Tohmatsu *Certified Public Accountants* 26/F Wing On Centre 111 Connaught Road Central Hong Kong
Underwriter	Celestial Capital Limited 21/F The Center 99 Queen's Road Central Hong Kong
Principal share registrar and transfer office	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Standard Registrars Limited 26/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Principal bankers	Bank of China (Hong Kong) Limited Nanyang Commercial Bank, Limited Wing Hang Bank, Limited DBS Bank (Hong Kong) Limited Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank
Solicitors	Sidley Austin Brown & Wood Richards Butler

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date and subsequent to the relevant events in relation to the Rights Issue, the authorised and issued share capital of the Company are as follows:

Authorised:

HK$	*Number of Shares*
100,000,000.00	1,000,000,000

Issued and to be issued fully paid:

HK$	*Number of Shares*	
43,748,382.70	437,483,827	presently in issue
21,874,191.30	218,741,913	to be issued under the Rights Issue
65,622,574.00	656,225,740	to be in issue after the Rights Issue

4. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A. The Company

Long positions in the ordinary Shares

Name	Capacity	Number of Shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	0.57
		7,598,075	164,028,376	39.22

* *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 section headed "Substantial Shareholders" below.*

B. Associated corporations (within the meaning of the SFO)

1. *CFSG*

(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	–	679,219,434*	49.18
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Wong Kin Yick Kenneth	Beneficial owner	7,568,000	–	0.55
		24,832,000	679,219,434	50.98

* *The shares were held as to 40,392,000 shares by Cash Guardian and as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these Shares as a result of his interests in the Company through Cash Guardian as disclosed in the section headed "Substantial Shareholders" below.*

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

Name	Date of grant	Exercise period	Exercise price per share	Number of options outstanding	Percentage to issued shares
			(HK$)		*(%)*
Kwan Pak Hoo Bankee	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,800,000	0.56
	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Law Ping Wah Bernard	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,800,000	0.56
	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43

Name	Date of grant	Exercise period	Exercise price per share *(HK$)*	Number of options outstanding	Percentage to issued shares *(%)*
Wong Kin Yick Kenneth	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,800,000	0.56
	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Li Yuen Cheuk Thomas	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,500,000	0.54
				48,900,000	3.51

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or 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).

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 in the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	**Capacity**	**Number of shares**	**Shareholding** *(%)*
Jeffnet Inc ("Jeffnet") *(Note (1))*	Trustee of a discretionary trust	164,028,376	37.49
Cash Guardian *(Note (1))*	Interest in a controlled corporation	164,028,376	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") *(Note (2))*	Interest in a controlled corporation	72,000,000	16.46
ARTAR *(Note (2))*	Beneficial owner	72,000,000	16.46

Notes:

(1) This refers to the same number of Shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet 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 and Jeffnet were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests" above.

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

Save as disclosed above, as at the Latest Practicable Date, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company.

6. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Company or its subsidiaries within two years preceding the Latest Practicable Date:

(a) the sale and purchase agreement dated 3 November 2004 entered into between CIGL and CRMG in relation to the acquisition of the entire issued share capital of Cosmos Global Assets Limited and the shareholder's loan by the CRMG and its subsidiaries from CIGL at the consideration of HK$9,678,092 to be settled in cash;

(b) the sale and purchase agreement dated 23 November 2004 entered into between Excel Smart Profits Limited, a wholly-owned subsidiary of the Company, as vendor and Power Link Transportation Limited as purchaser in relation to the disposal of a residential property in Hong Kong at a consideration of HK$45,000,000 to be settled in cash;

(c) the placing agreement dated 4 April 2005 entered into between CRMG and the CSL, a non-wholly-owned subsidiary of the Company, in relation to the placing of a maximum of 223,000,000 new shares in CRMG at the placing price of HK$0.30 each;

(d) the agreement dated 23 May 2005 entered into between Pricerite Development Limited, a wholly-owned subsidiary of the Company, and AustChina Information Technology Pyt Limited in relation to the proposed cooperation to develop retail business in the PRC;

(e) the placing agreement dated 24 August 2005 entered into between CRMG and CSL in relation to the proposed placing of 45,000,000 shares in CRMG at a placing price of HK$0.45 per share;

(f) the sale and purchase agreement dated 15 September 2005 entered into between Vantage Giant Limited, a non-wholly-owned subsidiary of the Company, as vendor and Mr Lin Che Chu as purchaser in relation to the acquisition of 100% interest in Netfield Technology Limited including all the outstanding loans due from Netfield Technology Limited at a consideration of HK$110,000,000;

(g) the placing agreement dated 15 September 2005 entered into between CFSG and CSL in relation to the proposed placing of 155,000,000 shares in CFSG at a placing price of HK$0.40 per share;

(h) the agreement dated 15 September 2005 entered into between CFSG and CIGL, in relation to the proposed issue of 120,000,000 new subscription shares in CFSG at the subscription price of HK$0.40 each by CIGL;

(i) the place down and top-up agreement dated 22 September 2005 entered into among CFSG, CIGL and CSL in relation to (i) the place down by CSL on behalf of CIGL of 145,000,000 shares in CFSG at a placing price of HK$0.40 per share, and (ii) a top up by CIGL of 145,000,000 new shares in CFSG at a subscription price of HK$0.40 each;

(j) the sale and purchase agreement dated 20 February 2006 entered into between CIGL and CRMG on 20 February 2006 in relation to acquisition by CIGL and the sale by CRMG of 100% equity interest in the Retail Group;

(k) the sale and purchase agreement ("S&P Agreement") entered into between, among others, Fit Top Investments Limited and CIGL on 11 August 2006 (as amended by a supplemental agreement entered into among the same parties to the S&P Agreement on 25 August 2006 ("Supplemental Agreement")) and the Supplemental Agreement; and

(l) the Underwriting Agreement.

7. EXPERTS AND CONSENTS

The following are the qualification of the expert who has given opinion or advice which are contained in the Prospectus:–

Name	**Qualification**
Deloitte Touche Tohmatsu ("Reporting Accountants")	Certified Public Accountants

As at the Latest Practicable Date, the Reporting Accountants was not interested beneficially in the shares in any member of the Group and did not has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the Reporting Accountants did not has any direct or indirect interest in any assets which has been acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2005, being the date up to which the latest published audited consolidated accounts of the Company was made up.

The Reporting Accountants has given and has not withdrawn their written consent to the issue of the Prospectus with the inclusion of and reference to their name in the form and context in which it appears.

8. SERVICE CONTRACT

No Director has a service contract with the Company in respect of his/her service to the Company in the capacity of a Director, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

9. LITIGATION

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's causes of action against the cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim on the ground that Marr had failed to properly plead this claim in the court papers. The California court granted Marr until 31 October 2006 to attempt to properly re-plead this claim. No court decision has been rendered yet in respect of Marr's other causes of action against the Company.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 and interest accrued thereon. A winding up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

(c) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a non-wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

(d) On 29 August 2002, Pang Po King Cannie ("Pang") filed a statement of claim against CSL, a non-wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,406,000 shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. The Directors do not envisage the claim by Pang will be held valid. The case was in progress and it was in the discovery stage as at the Latest Practicable Date.

10. INTERESTS OF DIRECTORS IN GROUP'S ASSETS

Since 31 December 2005, the date to which the latest published audited accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

11. INTERESTS OF DIRECTORS IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

12. MISCELLANEOUS

The English text of the Prospectus shall prevail over the Chinese text.

13. EXPENSES

The expenses in connection with the Rights Issue, including sub-underwriting commission, printing and translation costs, registration fees, legal and accountancy charges and other professional fees are estimated to amount to approximately HK$1.0 million and will be payable by the Company.

14. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance, so far as applicable.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any day up and including 9 November 2006:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports and accounts of the Company for the three years ended 31 December 2005;

(c) the unaudited interim report of the Company for the six months ended 30 June 2006;

(d) the accountants' report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Prospectus;

(e) the written consent referred to in the paragraph headed "Expert and consent" in this Appendix IV;

(f) the material contracts referred to in the section headed "Material Contracts" in this Appendix IV; and

(g) the circulars of the Company respectively 10 March 2006 in relation to a discloseable transaction for disposal of partial interest in associated company and dated 24 May 2006 in relation to a major transaction for acquisition of the Retail Group from CRMG.