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If you are in any doubt about this circular 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 circular to the purchaser or transferee or to the bank, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code #1049)

MAJOR DISPOSAL
IN RELATION TO DISPOSAL OF A 27.00% SHAREHOLDING IN
CASH RETAIL MANAGEMENT GROUP LIMITED

19 September 2006

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DEFINITIONS

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

"Announcement"	The joint announcement made by the Company and CRMG on 28 August 2006 in respect of, among other things, the Disposal
"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder of the Company
"Board"	The board of Directors of the Company
"Cash Guardian"	Cash Guardian Limited, a substantial Shareholder of the Company, and is a company 100% controlled by Mr Kwan Pak Hoo Bankee, Chairman of both the Company and CRMG
"CFSG"	CASH Financial Services Group Limited (Stock Code #8122)
"CFSG Group"	CASH Financial Services Group Limited and its subsidiaries
"CIGL"	Celestial Investment Group Limited, a wholly owned subsidiary of the Company
"Company"	Celestial Asia Securities Holdings Limited (Stock Code #1049)
"Consideration"	The consideration for the Sale Shares in the amount of HK$106,187,431.32
"CRMG"	CASH Retail Management Group Limited (Stock code #996)
"CRMG Board"	The board of directors of CRMG
"CRMG Convertible(s)"	The First CN and Second CN
"CRMG Convertible Offer"	The mandatory conditional cash offer for all outstanding CRMG Convertibles to be made by GNI on behalf of the Offeror in accordance with the Takeovers Code
"CRMG Director" or "Ms Tin"	Ms Tin Yuen Sin Carol who has since 1 September 2005 been and continues to be an executive director of CRMG
"CRMG Group"	CRMG and its subsidiaries

"CRMG Share(s)"	Issued share(s) of HK$0.02 each in the ordinary share capital of CRMG
"CRMG Shareholder(s)"	Holder(s) of CRMG Share(s)
"CRMG Share Offer"	The mandatory conditional cash offer for all the issued CRMG Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it at HK$0.36 per CRMG Share to be made by GNI on behalf of the Offeror in accordance with the Takeovers Code
"Directors"	The directors of the Company
"Disposal"	The disposal of the Sale Shares by CIGL to the Offeror at the Consideration pursuant to the S&P Agreement
"Escrow Agent"	Sidley Austin being the escrow agent appointed by the Offeror and CIGL under the Escrow Agreement to hold the deposit paid by the Offeror under the S&P Agreement
"Escrow Agreement"	The agreement dated 11 August 2006 made by the Offeror, CIGL and the Escrow Agent
"Escrow Terms"	The terms and conditions relating to the holding and release of the deposit paid by the Offeror under the S&P Agreement by the Escrow Agent as set out in the Escrow Agreement
"First CN"	A convertible loan note issued by CRMG on 15 August 2005 in an aggregate principal amount of HK$108,000,000 due on 31 August 2007 convertible into 240,000,000 CRMG Shares at a conversion price of HK$0.45 per CRMG Share (subject to adjustment)
"GNI"	Get Nice Investment Limited, a deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities, advising on corporate finance and asset management respectively)
"Group"	The Company and its subsidiaries

"Latest Practicable Date"	18 September 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Offers"	The CRMG Share Offer and the CRMG Convertible Offer
"Offeror"	Fit Top Investments Limited, a company wholly and beneficially owned by the CRMG Director
"PRC"	The People's Republic of China
"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
"S&P Agreement	The agreement entered into between, among others, the Offeror and CIGL on 11 August 2006 in relation to the Disposal (as amended by the supplemental agreement entered into among the same parties to the S&P Agreement on 25 August 2006)
"S&P Completion"	Completion of the Disposal in accordance with the provisions of the S&P Agreement
"S&P Conditions"	The conditions for completion of the Disposal as set out in the sub-section entitled "S&P Conditions" in this circular
"SFC"	The Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	The special general meeting of the Company to be held to approve the Disposal and the transactions contemplated under the S&P Agreement, if necessary
"Sale Share(s)"	The 294,965,087 CRMG Share(s) held by the CIGL comprising approximately 27.00% of the issued ordinary share capital of CRMG

"Second CN"	A convertible loan note issued by CRMG on 30 December 2005 in an aggregate principal amount of HK$180,000,000 due on 31 December 2007 convertible into 400,000,000 CRMG Shares at a conversion price of HK$0.45 per CRMG Share (subject to adjustment)
"Shareholders"	The holders of Shares
"Shares"	Issued shares of HK$0.10 each in the ordinary share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"2006 S&P Agreement"	The agreement entered into between CIGL, as purchaser, and CRMG, as vendor, on 20 February 2006 in relation to, among other things, sale and purchase of 100% equity interest in CASH Retail Management (HK) Limited
"2006 S&P Agreement Balance Payment"	The balance amount in cash to be paid by CIGL to CRMG as deferred payment on or before 30 June 2007 pursuant to the 2006 S&P Agreement (outstanding amount as at the date of the S&P Agreement is HK$100.6 million) together with interest accrued thereon
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"HK$"	Hong Kong dollar(s), the currency of Hong Kong

CASH 時富

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
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Bermuda

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

19 September 2006

To Shareholders

Dear Sir/Madam,

MAJOR DISPOSAL IN RELATION TO DISPOSAL OF A 27.00% SHAREHOLDING IN CASH RETAIL MANAGEMENT GROUP LIMITED

INTRODUCTION

By the Announcement, the Board and the CRMG Board jointly announced that, among other things, the S&P Agreement (as amended on 25 August 2006) was entered into between CIGL (a wholly owned subsidiary of the Company) and the Offeror. Under the S&P Agreement, CIGL will dispose of approximately 27.00% shareholding in CRMG to the Offeror for a consideration of HK$106,187,431.32.

Under the Listing Rules, the transactions contemplated under the S&P Agreement after aggregating the disposal of about 5% shareholding in CRMG on 27 February 2006 pursuant to Rules 14.22 and 14.23 of the Listing Rules 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, namely Cash Guardian and ARTAR, being substantial Shareholders of the Company who collectively own approximately 53.95% in nominal value of the Shares giving the right to attend and vote at the general meeting of the Company. As they will not be required to abstain from voting on the relevant resolution(s) should a SGM be held, pursuant to Rule 14.44 of the Listing Rules, the Company does not need to hold a general meeting to consider the Disposal.

The purposes of this circular are to provide the Shareholders with further information on the Disposal.

THE SALE AND PURCHASE AGREEMENT

Date:	11 August 2006 (as amended on 25 August 2006)
Vendor:	CIGL, a wholly owned subsidiary of the Company
Purchaser:	Fit Top Investments Limited (i.e. the Offeror), being an investment holding company wholly and beneficially owned by the CRMG Director. The CRMG Director is the sole director of the Offeror. The CRMG Director is also a director of CRMG and three subsidiaries of CRMG as well as a CRMG Shareholder holding approximately 7.87% of the issued capital of CRMG. CRMG ceased to be a subsidiary of the Company in May 2005. Ms Tin was appointed director of CRMG in September 2005, when CRMG was no longer a subsidiary of the Company. Ms Tin has never been a director of the Company or of any subsidiary of the Company during the 12 months preceding the date of this transaction (i.e. from 12 August 2005 to 11 August 2006).
Vendor Guarantor:	Celestial Asia Securities Holdings Limited (i.e. the Company)
Purchaser Guarantor:	Ms Tin Yuen Sin Carol, the CRMG Director, in respect of the obligations of the Offeror under the S&P Agreement
Sale Shares:	294,965,087 shares in CRMG representing approximately 27.00% of its issued share capital

Consideration: HK$106,187,431.32, representing a price of HK$0.36 per Sale Share and a premium of approximately 63.64% over the audited net asset value of the Sale Shares based on the audited accounts of CRMG and its subsidiaries as at 31 December 2005.

The Consideration will be settled in the following manner:

(a) HK$5 million as deposit having been paid to the Escrow Agent upon signing of the S&P Agreement to be held on the Escrow Terms and to be released to CIGL upon S&P Completion;

(b) HK$25 million to be paid to CIGL upon S&P Completion; and

(c) Balance of HK$76,187,431.32 to be paid, on or before the day falling 6 months after the date of S&P Completion, in cash, to CRMG (as irrevocably directed by CIGL) to discharge HK$76,187,431.32 of the outstanding 2006 S&P Agreement Balance Payment (the outstanding amount of the 2006 S&P Agreement Balance Payment as at the date of the S&P Agreement was HK$100.6 million together with interest accrued thereon).

The Consideration was determined after arm's length negotiation between the Offeror and CIGL with reference to (i) the net asset value of CRMG of HK$240,742,000 per the audited balance sheet as at 31 December 2005; (ii) the latest unaudited pro forma net asset value of CRMG of HK$273,408,000 (based upon the audited balance sheet of the Group as at 31 December 2005 and after making pro forma adjustments relating to the disposal of the Hong Kong retail business as shown on page 109 of the circular of CRMG dated 24 May 2006); and (iii) recent market price of CRMG Shares and the discount as stated below.

The Consideration per Sale Share of approximately HK$0.36 represents:

(a) a discount of approximately 11.11% to the closing price of HK$0.405 per CRMG Share as quoted on the Stock Exchange on 10 August 2006, being the last trading day prior to the Announcement;

(b) a discount of approximately 12.83% to the average of the closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days prior to the Announcement, being approximately HK$0.413 per CRMG Share;

(c) a discount of approximately 13.25% to the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Announcement, being approximately HK$0.415 per CRMG Share;

(d) a discount of approximately 17.62% to the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days prior to the Announcement, being approximately HK$0.437 per CRMG Share;

(e) a discount of approximately 10.00% to the closing prices as quoted on the Stock Exchange on the Latest Practicable Date, being HK$0.400 per CRMG Share;

(f) a premium of approximately 63.64% over the audited net asset value of approximately HK$0.22 per CRMG Share as at 31 December 2005; and

(g) a premium of approximately 44.00% over the latest unaudited pro forma net asset value of approximately HK$0.25 per CRMG Shares set out in the circular of CRMG dated 24 May 2006.

The Directors are of the view that the Consideration is fair and reasonable for and in the best interests of the Company and the Shareholders as a whole.

S&P Conditions: The Disposal is conditional upon:

(a) the Offeror being satisfied with the results of its due diligence investigations on, among others, CRMG (including, without limitation, legal and financial due diligence);

(b) CIGL and the Company's warranties under the S&P Agreement being true, accurate and correct in all material respects as at S&P Completion, and CIGL having performed all its obligations under the S&P Agreement on or before S&P Completion in all material respects;

(c) the CRMG Shares remaining listed and traded on the Stock Exchange, and no notification being received from the SFC or the Stock Exchange that the listing of the CRMG Shares on the Stock Exchange shall or may be withdrawn or suspended (excluding any suspension for the purposes of obtaining clearance from the SFC or Stock Exchange for the joint announcement or circulars relating to the transactions contemplated by the S&P Agreement) at, upon or as a result of, the terms of the S&P Agreement and there being no withdrawal or suspension for any reason other than an inadequate percentage of the issued share capital of CRMG being in public hands following the close of the Offers and no other event having arisen which would adversely affect the listing status of CRMG on the Stock Exchange and CIGL and the Offeror not having been deemed by the SFC or the Stock Exchange under the Takeovers Code or otherwise as parties acting in concert in relation to CRMG or the CRMG Shares; and

(d) the passing of the necessary resolutions by the Shareholders in a SGM, or in lieu thereof, the obtaining by CIGL of the written approval of the Shareholders regarding the Disposal, if necessary, and all other transactions contemplated under the S&P Agreement.

The Offeror may waive the S&P Conditions set out in (a) and (b) above.

The S&P Conditions are required to be fulfilled on or before 31 October 2006, or such other date as may be agreed between CIGL and the Offeror.

If the S&P Conditions have not been satisfied or waived (as the case may be) on or before the date aforesaid, the S&P Agreement shall cease and terminate and the parties to the S&P Agreement shall not have any obligations and liabilities thereunder, save for any antecedent breaches of the terms of the S&P Agreement, and the Escrow Agent shall repay the deposit in the sum of HK$5 million paid under the S&P Agreement without interest to the Offeror.

As at the Latest Practicable Date, none of the above S&P Conditions except condition (d) has been fulfilled.

S&P Completion: Completion of the Disposal shall take place on or before 31 October 2006 or such other date as CIGL and the Offeror may agree, subject to the S&P Conditions being fulfilled or waived in accordance with the S&P Agreement.

Completion of the S&P Agreement has not been taken place as at the Latest Practicable Date.

FINANCIAL INFORMATION OF CRMG

The current principal activities of CRMG Group are operation of department store and provision of store management services in the PRC.

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the CRMG Group for the year ended 31 December 2004 were both about HK$85.4 million, and the audited consolidated net losses before and after taxation, minority interest and extraordinary items of the CRMG Group for the year ended 31 December 2005 were both about HK$76.6 million.

The audited consolidated net assets of the CRMG Group as at 31 December 2004 and 31 December 2005 were about HK$143.8 million and HK$240.7 million respectively.

REASONS FOR THE DISPOSAL

The current principal activities of the Group and its associated companies consist of (a) retailing of furniture and household items and trendy digital products and investment holding; (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) operation of department store and store management services in the PRC via CRMG Group. Upon completion of the Disposal, the Group will cease to engage in operation of department store and store management services in the PRC via CRMG Group.

There has been a continuing solid growth in the general economy in Hong Kong in 2006 and in the overall retail industry, with total retail sales for the first half of 2006 growing by 6.4%.

The Board is optimistic about the retail industry in Hong Kong in particular, in view of the improving local economy and consumer market as well as the inbound tourist boom.

The Retail Group has shown significant improvement in operations and management after fine tuning of the retail network of “Pricerite” by closure of 8 non-performing stores during the year ended 31 December 2005. The number of stores was reduced to 30 at the end of 2005, with only a slight drop in turnover of approximately 1.3% recorded for the year as compared with the last corresponding year.

With the lean cost base brought about network rationalization, operating costs for the year decreased by 3.7% and the Retail Group was able to contain its net loss attributable to shareholders at approximately HK$76.6 million, as compared with HK$85.4 million for the last corresponding year.

The retail business in Hong Kong progressed steadily in 2005. During the year, Pricerite Stores (“Pricerite”) was 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. 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 Board is confident about the future prospects of the retail industry in Hong Kong and is endeavouring to focus its capital and other resources in further developing the brand names of “Pricerite”, “LifeZtore” and “3C Digital” and the retail business under the three brand names in Hong Kong.

The acquisition of the Retail Group by the Group as disclosed in the announcement dated 21 February 2006 was completed on 30 June 2006.

CRMG was an associate of the Company as at the date of the S&P Agreement and the shareholding in CRMG was an investment by the Company in the business of store management and operation of department stores in the PRC, from which the Company expects that its return on investment should be derived either from dividends (or share of profits) or from realisation of capital gain. After considering the interest of the Offeror to purchase CIGL's 27.00% shareholding in CRMG and the terms of the Offers and after arm's length discussion, the Board considers the Disposal to be an opportunity substantially to realise its investment in CRMG and to enjoy the investment gains therefrom. The Board intends to keep the remaining 8.61% shareholding in CRMG as investment in securities for dividend return, and reserve to the Company further opportunities for disposal in the event that share prices gain in the future. The Disposal enables the Group to realize its investment in CRMG and to concentrate the resources of the Group on its retail businesses in Hong Kong.

Pursuant to the S&P Agreement, the Group will raise gross proceeds of HK$106,187,431.32 which will be used for, among others, settling part of the 2006 S&P Agreement Balance Payment due from the Group to CRMG (in the amount of HK$100.6 million as at the date of the Announcement including interest accrued thereon), and the balance will be used as general working capital for the Group.

The Consideration was determined after arm's length negotiation between the parties. Although the Consideration represents a discount of approximately 11.11% to the closing price of HK$0.405 per CRMG Share on 10 August 2006 (the last trading date prior to the date of the Announcement), on the basis that (a) the Consideration of HK$0.36 per CRMG Share also represents a premium of about 63.64% over the audited net asset value of approximately HK$0.22 per CRMG Share as at 31 December 2005; (b) the relatively thin trading volume of the CRMG Shares (the average daily volume was 812,625 CRMG Shares based on the 7 months' trading volume up to 31 July 2006, representing approximately only 0.28% of the Sale Shares); and (c) the reasons for the Disposal and use of proceeds as set out above, the Board is of the opinion that the terms of the S&P Agreement and of the transactions contemplated thereunder including the Consideration are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon S&P Completion, the Disposal is expected to result in a gain before taxation of about HK$32.0 million which will be reported in the financial year during which the S&P Completion takes place. The remaining 8.61% shareholding in CRMG held by the Group will following S&P Completion be recorded in the Company's books as investment in securities and will no longer be recorded as investment in associate.

FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2004 were about HK$143.6 million and HK$144.0 million respectively.

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2005 were about HK$40.0 million and HK$37.0 million respectively.

The audited consolidated net assets of the Group as at 31 December 2004 and 2005 were about HK$388.1 million and HK$364.1 million respectively.

SHAREHOLDING STRUCTURE OF CRMG

The following table sets out the shareholding structure of CRMG (based on information received by CRMG and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) immediately before and after S&P Completion (assuming that there are no changes other than those contemplated in the S&P Agreement):

	Before S&P Completion		**After S&P Completion, assuming no CRMG Shareholder accepts the CRMG Share Offer**		**After S&P Completion, assuming all the CRMG Shareholders (save as CIGL and its controlled companies) accept the CRMG Share Offer**	
	No. of CRMG Shares	*Approximate %*	*No. of CRMG Shares*	*Approximate %*	*No. of CRMG Shares*	*Approximate %*
CIGL and its controlled companies	389,027,587	35.61	94,062,500	8.61	94,062,500	8.61
Ms Tin and her concert parties	86,000,000	7.87	380,965,087	34.87	998,463,645	91.39
Other Director*	3,000,000	0.27	3,000,000	0.27	–	–
Public	614,498,558	56.25	614,498,558	56.25	–	–
Total	**1,092,526,145**	**100.00**	**1,092,526,145**	**100.00**	**1,092,526,145**	**100.00**

* The CRMG Shares are held by a concert party of Mr Kwan Pak Hoo Bankee, the chairman of both CRMG and the Company.

CIGL and its controlled corporations have provided an undertaking not to accept the Offers insofar as applicable to their remaining 8.61% shareholding in CRMG.

Upon close of the Offers, if there is less than 25% of the CRMG Shares held by the public, the CRMG Director and the new directors of CRMG to be appointed will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float requirement under the Listing Rules is complied with by CRMG.

MANDATORY CONDITIONAL CASH OFFERS

The CRMG Director was beneficially interested in 86,000,000 CRMG Shares, representing approximately 7.87% of the issued share capital of CRMG, as at the date of the S&P Agreement.

The S&P Completion has not been taken place as at the Latest Practicable Date. Accordingly, immediately following the S&P Completion, the Offeror and parties acting in concert with it in aggregate owned 380,965,087 CRMG Shares, representing approximately 34.87% of the total issued CRMG Shares as at the Latest Practicable Date.

Under Rule 26.1 of the Takeovers Code, the Offeror is required to make the CRMG Share Offer. Under Rule 13 of the Takeovers Code, the Offeror is also required to make the CRMG Convertible Offer. CRMG has outstanding the First CN and the Second CN as at the Latest Practicable Date.

A composite offer document to be issued jointly by the Offeror and CRMG including, inter alia, the letter of advice of the independent financial adviser, will be despatched to the CRMG Shareholders as soon as practicable.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial prospects

The Group recorded a net loss attributable to Shareholders of HK$37.0 million for the year ended 31 December 2005; the loss was greatly reduced from HK$144.0 million for the previous year. In 2006, the major revenues of the Group will be from CFSG Group (financial services group) and the Retail Group (Hong Kong retail business group).

CFSG Group recorded a net profit attributable to shareholders of HK$26.6 million for the year ended 31 December 2005 as compared to HK$20.4 million in the previous year. CFSG recorded a decrease in revenue to HK$213.6 million for the year ended 31 December 2005, as compared to HK$240.0 million in last year. The CFSG Group achieved significant progress in the first half of 2006 with an increase in revenues and net profit attributable to shareholders of 82.7% and 77.6% respectively. The CFSG Group recorded revenues of HK$178.9 million for the six months ended 30 June 2006 compared to HK$97.9 million for the same period of last year. A net profit attributable to shareholders of HK$19.9 million was recorded for the period ended 30 June 2006.

The Retail Group recorded a 1.3% slight decrease in turnover for 2005. The decrease in sales of household and furniture goods was brought about by the closure of 8 non-performing Pricerite's stores during the year under review. Taking into account the Retail Group's initial investment in 3C Digital and in the new retail chain stores named "LifeZtore" opened in the second half of 2005 retailing stylish furniture and household products together with the provisions made for the closure of non-performing stores in Hong Kong, Guangzhou and Shenzhen, the Retail Group reported loss of HK$76.6 million for the year ended 31 December 2005 as compared with the loss of HK$85.4 million in previous year. The retail business in Hong Kong progressed steadily in 2005 and showed significant improvement in operations and management after the network rationalisation. Also, the three brand names of "Pricerite", "LifeZtore", and "3C Digital" of the Retail Group have gained recognition and popularity in Hong Kong in recent years as detailed under the section "Reasons for the Disposal" above.

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 business in Hong Kong, 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 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. The Retail Group will continue to develop its three brands, providing a diversified product portfolio through its single operating platform.

Material acquisitions and disposals of subsidiaries and associated companies

CFSG Group

- On 15 September 2005, CFSG issued 132 million shares at a subscription price of HK$0.27 per share to the Group, raising a total of gross proceeds of HK$35.6 million. The proceeds were used as the general working capital of CFSG.

- In September 2005, CFSG announced a major transaction for the proposed acquisition of Netfield Technology Limited and its subsidiaries ("Netfield Group"), for a consideration of HK$110.0 million ("Netfield Acquisition") and several fund raising activities. The Netfield Group is an on-line game developer and operator in China. These transactions were approved by the shareholders at the special general meeting of CFSG held on 20 December 2005 and all had been completed in January 2006. The placing of 155 million shares in CFSG to various independent third parties at HK$0.40 each and the subscription of 120 million shares in CFSG by the Group at HK$0.40 each were completed on 10 January 2006. The total gross proceeds of HK$168.0 million were raised, of which HK$110.0 million was used for settling the consideration for the Netfield's acquisition, approximately HK$30.0 million was put into the operating capital of the Netfield Group, and the balance of approximately HK$28.0 million was used as the general working capital of CFSG.

- On 23 September 2005, the placing of 145 million shares in CFSG held by the Group to independent third parties at HK$0.40 each was completed.

- On 5 October 2005, the corresponding top up of 145 million new shares in CFSG to the Group was then completed.

- On 18 January 2006, CFSG issued 60 million shares upon partial exercise by the noteholder of conversion right attaching to the convertible loan note issued by CFSG on 1 September 2004. The shareholding interest of the Group in CFSG was 46.30% on 18 January 2006 after a series of fund raising exercises as disclosed above and it remains as a subsidiary of the Company.

CRMG Group

- In March 2005, CRMG announced a new share issue of 83 million new shares at the subscription price of HK$0.28 per share to raise a gross proceed of HK$23.2 million for general working capital of the CRMG Group. The subscription issue of 83 million new shares was completed on 6 April 2005.

- In April 2005, CRMG announced a placement of 223 million new shares at a placing price of HK$0.30 per share to raise a gross proceed of HK$66.9 million for expansion of the CRMG Group's retail businesses in the PRC and for general working capital of the CRMG Group. The placement of 223 million new shares was completed on 19 May 2005.

- In May 2005, the CRMG Group announced for proposed cooperation to jointly develop the retail business in the PRC with AustChina Information Technology Pyt Limited and the issue of the First CN for HK$108 million. The First CN was issued on 15 August 2005 and had been subsequently sold and transferred to Mr Pun So. However, no investment opportunity or project for retail business in the PRC had been identified and the agreement was expired on 31 October 2005.

- In August 2005, the CRMG Group announced a major transaction for proposed acquisition of all the issued shares and all the shareholders' loan interest in Timecastle International Limited ("Timecastle") at a consideration of HK$500 million (to be adjusted) ("Acquisition"), the proposed issue of the Second CN for HK$180 million and the proposed placing of 100 million new shares of CRMG at the placing price of HK$0.45 per share. Timecastle has the ultimate beneficial interest in Oriental Kenzo (Beijing) Company Limited. These transactions were approved by shareholders at the special general meeting of CRMG held on 29 November 2005 and were completed on 30 December 2005. The funds from the Second CN and the placing of 100 million new shares were used to settle part of the consideration for the Acquisition.

- In February 2006, CRMG Group announced a very substantial disposal and a connected transaction for the disposal of the Retail Group. The disposal was subject to (inter alia) the approval by CRMG Shareholders at the SGM and had been completed on 30 June 2006.

The Group

- In November 2004, the Group entered into a provisional sale and purchase agreement to sell an investment property located in Hong Kong at a consideration of HK$45.0 million. The transaction was completed in March 2005.

- In February 2006, the Group announced for (i) a major transaction for the acquisition of the Retail Group at a final consideration of HK$130.6 million. The acquisition was completed on 30 June 2006; (ii) a discloseable transaction for disposal of around 5% equity interest in CRMG at a total consideration of about HK$30 million. The disposal was completed on 27 February 2006.

- In August 2006, the Group announced for the Disposal. The Disposal has not been competed as at the Latest Practicable Date.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2005 and up to the Latest Practicable Date.

Significant investments held

As at 31 December 2005, the Group was holding a portfolio of listed investments held for trading with market value of approximately HK$35.5 million and a loss on listed investments held for trading of HK$6.6 million was recorded for the year.

Save as aforesaid, there was no significant investment held during the year and up to the Latest Practicable Date. We do not have any future plans for material investments or capital assets.

Employee Information

At 31 December 2005, the Group had 245 employees, of which 209 were at CFSG Group. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$105.7 million. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund schemes, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. We continue to organise training for employees in areas such as product knowledge, customer service, selling techniques, problem solving, team building, communication, presentation, coaching, mentoring and continuous professional training programmes required by regulatory bodies. Meanwhile, we are also liaising with external consultants to conduct team building training program.

EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Earnings

After the Disposal, the Group will receive a total of proceeds of HK$106,187,431.32 upon completion of the Disposal giving rise to a gain of HK$32.0 million and CRMG will cease to be an associate of the Company.

Liabilities

There will be no effect on liabilities of the Group on the Disposal.

Net assets

After the Disposal, the net assets of the Group will be increased by the gain before taxation of the Group of about HK$32.0 million.

MAJOR TRANSACTION

Under the Listing Rules, the transactions contemplated under the S&P Agreement after aggregating the disposal of about 5% shareholding in CRMG on 27 February 2006 pursuant to Rules 14.22 and 14.23 of the Listing Rules 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, namely Cash Guardian and ARTAR, being substantial Shareholders of the Company who collectively own approximately 53.95% in nominal value of the Shares giving the right to attend and vote at the general meeting of the Company. Cash Guardian has been the controlling Shareholder of the Company since August 1999, and ARTAR has been the substantial Shareholder of the Company since September 2004. Cash Guardian and ARTAR, if they have voted in the meetings, has been voting in the same way in all resolutions in all general meetings of the Company since September 2004. In view of the above, Cash Guardian and ARTAR could be viewed as a closely allied group of Shareholders for the purpose of approving the Disposal.

As Cash Guardian and ARTAR will not be required to abstain from voting on the relevant resolution(s) should a SGM be held, pursuant to Rule 14.44 of the Listing Rules, the Company does not need to hold a general meeting to consider the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
On behalf of the Board
Bankee P Kwan
Chairman

A. AUDITED CONSOLIDATED RESULTS OF THE GROUP

Consolidated Profit and Loss Account
For the year ended 31 December

Set out below are the audited consolidated profit and loss accounts of the Group for the year ended 31 December 2003, 2004 and 2005 extracted from the audited financial statements of the Group for the relevant years.

	Notes	2005 HK$'000	2004 HK$'000 (restated)	2003 HK$'000 (restated)
Continuing operations				
Revenue	7	213,620	247,420	197,825
Cost of sales		–	(7,138)	(722)
Other operating income		3,480	9,191	9,329
Reversal of allowance (Allowance) for bad and doubtful debts		702	(1,361)	900
Recovery of bad debts		8,294	–	(1,073)
Convertible loan note settlement expenses		(85)	(310)	–
Salaries, allowances and commission	9	(123,970)	(137,325)	(114,055)
Other operating, administrative and selling expenses		(70,879)	(113,446)	(106,309)
Depreciation of property and equipment		(11,656)	(17,410)	(26,251)
Finance costs	10	(16,984)	(8,721)	(4,791)
Net loss on investments held for trading		(6,632)	–	–
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		–	(24,327)	(1,113)
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)	(300)
Write back of loan to an associate		–	–	24,600
Loss before taxation	13	(18,576)	(79,027)	(21,960)
Taxation credit (charge)	14	2,999	(350)	(134)
Loss for the year from continuing operations		(15,577)	(79,377)	(22,094)

	Notes	2005 *HK$'000*	2004 *HK$'000* (restated)	2003 *HK$'000* (restated)
Discontinued operation				
Loss for the period/year from discontinued operation	*15*	(11,482)	(82,617)	(29,925)
Loss for the year		(27,059)	(161,994)	(52,019)
Attributable to:				
Equity holders of the Company		(37,022)	(143,954)	(52,539)
Minority interests		9,963	(18,040)	520
		(27,059)	(161,994)	(52,019)
Loss per share	*16*			
From continuing and discontinued operations:				
– Basic		HK$(0.08)	HK$(0.37)	HK$(0.14)
From continuing operations:				
– Basic		HK$(0.06)	HK$(0.23)	HK$(0.06)

Consolidated Balance Sheet

At 31 December

	Notes	2005 HK$'000	2004 HK$'000 (restated)	2003 HK$'000 (restated)
Non-current assets				
Property and equipment	*17*	12,802	100,497	126,903
Prepaid lease payments	*18*	–	48,244	6,865
Investment securities	*19*	–	10,800	15,500
Goodwill	*21*	17,426	57,199	70,808
Interest in associate	*22*	103,870	–	–
Intangible assets	*23*	11,261	9,092	10,922
Other assets	*25*	7,564	13,346	21,504
Loan receivables	*26*	725	19,334	–
Deposits for acquisition	*27*	56,095	–	–
		209,743	258,512	252,502
Current assets				
Inventories	*28*	–	59,013	61,295
Deferred tax assets	*14*	3,940	–	–
Account receivables	*29*	469,772	365,047	497,728
Loan receivables	*26*	38,460	20,623	700
Prepayments, deposits and other receivables	*30*	19,580	44,896	79,175
Listed investments held for trading	*31*	35,467	–	61,200
Taxation recoverable		–	–	6
Other investments	*19*	–	64,700	–
Derivative financial instrument	*32*	16	–	–
Bank deposits under conditions	*33*	17,125	52,784	36,565
Bank balances – trust and segregated accounts	*30*	352,902	433,156	382,056
Bank balances (general accounts) and cash	*30*	118,219	236,147	245,924
		1,055,481	1,276,366	1,364,649

	Notes	2005 HK$'000	2004 HK$'000 (restated)	2003 HK$'000 (restated)
Current liabilities				
Account payables	34	581,965	784,990	739,479
Accrued liabilities and other payables	30	35,801	97,901	72,647
Taxation payable		1,525	729	513
Obligations under finance leases				
– amount due within one year	35	150	93	504
Bank borrowings				
– amount due within one year	36	171,737	181,777	322,442
Convertible loan note				
– amount due within one year	37	30,242	–	–
		821,420	1,065,490	1,135,585
Net current assets		234,061	210,876	229,064
		443,804	469,388	481,566
Capital and reserves				
Share capital	38	43,748	43,748	36,548
Reserves		139,596	176,817	305,217
Equity attributable to equity holders of the Company		183,344	220,565	341,765
Equity component of convertible loan note and share option reserve of a listed subsidiary		1,464	1,451	–
Minority interests		179,273	166,086	121,210
Total equity		364,081	388,102	462,975
Non-current liabilities				
Obligations under finance leases				
– amount due after one year	35	159	–	126
Bank borrowings				
– amount due after one year	36	79,564	41,452	18,465
Convertible loan note				
– amount due after one year	37	–	39,834	–
		79,723	81,286	18,591
		443,804	469,388	481,566

Consolidated Cash Flow Statement
For the year ended 31 December

	Note	2005 HK$'000	2004 HK$'000 (restated)	2003 HK$'000 (restated)
Operating activities				
Loss before taxation		(30,058)	(161,638)	(51,885)
Adjustments for:				
Convertible loan note settlement expense		85	310	–
Advertising and telecommunication services expenses	*40*	–	11,213	13,269
(Reversal of allowance) Allowance for bad and doubtful debts		(702)	7,630	1,073
Allowance for inventory obsolescence and write-off of inventories		–	19,041	7,195
Amortisation of intangible assets		–	1,830	1,830
Amortisation of goodwill		–	6,928	4,351
Amortisation of prepaid lease payments		186	646	901
Depreciation of property and equipment		21,675	43,602	49,738
Employee share option benefits		203	219	–
Loss (Gain) on deemed disposal of CRMG		974	(769)	–
Gain on partial disposal of interest in CASH Financial Services Group Limited ("CFSG")		–	–	(6,321)
Dividends from investments		(143)	(1,015)	–
Impairment loss recognised in respect of investments		–	–	300
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	–
Reversal of impairment loss previously recognised in respect of property and equipment		–	–	(900)
Interest expenses		19,240	11,759	7,593
(Gain) Loss on disposal of property and equipment		(6,773)	4,746	1,941
Increase in fair value of derivative financial instrument		(64)	–	–
Share of loss of associate		26,728	–	–

	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Operating cashflow before movements in working capital	25,862	(27,938)	29,085
Increase in inventories	–	(16,759)	(3,099)
(Increase) Decrease in account receivables	(106,777)	131,457	(324,054)
Decrease (Increase) in loan receivables	1,670	(38,118)	1,644
(Increase) Decrease in prepayments, deposits and other receivables	(3,822)	26,022	(5,942)
Decrease (Increase) in listed investments held for trading/other investments	10,150	(3,500)	(8,666)
Decrease (Increase) in bank balances – trust and segregated accounts	80,254	(51,100)	(97,036)
(Decrease) Increase in account payables	(34,941)	45,511	249,453
(Decrease) Increase in accrued liabilities and other payables	(41,098)	25,254	(16,858)
Cash (used in) from operations	(68,702)	90,829	(175,473)
Hong Kong Profits Tax paid	–	(134)	–
Dividends received	143	1,015	–
Interest paid	(17,874)	(11,376)	(7,550)
Net cash (used in) from operating activities	(86,433)	80,334	(183,023)

	Note	2005 HK$'000	2004 HK$'000 (restated)	2003 HK$'000 (restated)
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)	(9,675)
Expenses paid for subscription of CFSG's rights shares		–	(800)	–
Proceeds from disposal of property and equipment		43,279	381	15,825
Purchase of property and equipment		(7,539)	(67,151)	(9,918)
Increase in prepaid lease (transfer from property, plant and equipment due to adoption of new HKAS)		–	–	(6,865)
Decrease in property, plant and equipment (due to adoption of new HKAS)		–	–	8,070
Purchase of other investments		–	(10,800)	(15,500)
Statutory and other deposits paid		(947)	(1,601)	363
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)		–	–	(2,706)
Decrease in club memberships		–	–	329
Proceeds from partial disposal of interest in CFSG		–	–	12,335
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		(163,232)	–	–
Net cash used in investing activities		(184,877)	(97,590)	(7,742)

	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	(restated)
Financing activities			
Decrease in trust receipt loans	–	(3,782)	8,444
Increase (Decrease) in bank loans	116,805	(86,603)	135,565
Decrease in bank overdrafts	(10,373)	(28,328)	(8,644)
Repayments of obligations under finance leases	(221)	(537)	(804)
(Repayments) Proceeds on issue of convertible loan note	(10,000)	40,500	–
Proceeds on issue of shares	–	23,760	16,500
Share issue expenses	–	(655)	(76)
Contributions from minority shareholders	62,230	66,476	30,642
Dividend paid to minority shareholders by CFSG	(3,677)	–	–
Interest paid on obligations under finance leases	(15)	(22)	(43)
Share issue expenses paid by CFSG and CRMG	(300)	(3,330)	(2,546)
Interest paid on convertible loan note	(1,067)	–	–
Net cash from financing activities	153,382	7,479	179,038
Net decrease in cash and cash equivalents	(117,928)	(9,777)	(11,727)
Cash and cash equivalents at beginning of year	236,147	245,924	257,651
Cash and cash equivalents at end of year	118,219	236,147	245,924
Being:			
Bank balances (general accounts) and cash	118,219	236,147	245,924

Notes to the Financial Statements

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	HKAS 1	HKAS 17	HKAS 32	HKFRS 2	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 HK$'000	Law Ping Wah Bernard HK$'000	Wong Kin Yick Kenneth HK$'000	Li Yuen Cheuk Thomas HK$'000	Kwok Oi Kuen Joan Elmond HK$'000	Miao Wen Hao Felix HK$'000	Chan Yau Ching Bob HK$'000	Law Ka Kin Eugene HK$'000	Chan Hak Sin HK$'000	Leung Ka Kui Johnny HK$'000	Wong Chuk Yan HK$'000	2004 Total HK$'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 HK$'000	2004 HK$'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	Year ended 31.12.2004
	HK$'000	*HK$'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	2004
	HK$'000	*HK$'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	Amount
		'000	*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.

B. 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 covenants 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.

C. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 31 December 2005, the Group's cash and bank balances were HK$488.2 million. Our liquidity ratio was 1.3 times on 31 December 2005.

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 subject 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.

D. 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, the expected internally generated funds and an assumption that the repayment of the unsecured loan of approximately HK$85.2 million payable to an independent third party will be extended to 29 September 2008, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months in the absence of unforeseen circumstances.

E. 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.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. 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

		Number of Shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding**
				(%)
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 (HK$)	Number of options outstanding	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,800,000	0.57
	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	0.57
	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Wong Kin Yick Kenneth	6/10/2005	6/10/2005 – 31/10/2006	0.380	7,800,000	0.57
	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	3.54

2. CRMG

(a) Long positions in the shares

Name	Capacity	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	392,027,587*	35.87

* The shares were held as to 3,000,000 shares by Cash Guardian and as to 389,027,587 shares by CIGL and its subsidiaries. However, CIGL has signed a sale and purchase agreement dated 11 August 2006 (as amended on 25 August 2006) to dispose 294,965,087 shares out of the 389,027,587 shares held by it. As at the Latest Practicable Date, the aforesaid disposal has not been completed. 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 "Substantial Shareholders" below.

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).

3. 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.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, 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 expiring or determinable by the Company within one year without payment of compensation other than statutory compensation.

6. INTEREST OF DIRECTORS IN GROUP 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.

7. INTEREST 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.

8. LITIGATION

(a) Cheung Yiu Wing ("Cheung"), a director and a shareholder of the former 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 as at the Latest Practicable Date.

(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 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. The hearing date for this application has not yet been fixed.

(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, (Hong Kong Case no.: 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) On 29 August 2002, 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 1,406,000 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.

9. 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 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 million 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; and

(k) the S&P Agreement and the supplement agreement dated 25 August 2006 signed among the same parties to the S&P Agreement to amend the terms of the S&P Agreement.

10. MISCELLANEOUS

(a) The qualified accountant of the Company is Mr 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.*

(b) The company secretary of the Company is Ms Luke Wing Sheung Suzanne, *a fellow member of the Institute of Chartered Secretaries and Administrators.*

(c) The head office and the principal place of business of the Company in Hong Kong are at 21/F The Center, 99 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The principal share registrars and transfer office of the Company in Bermuda is The Bank of Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Standard Registrars Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text.

11. 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 to and including 3 October 2006:–

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in paragraph 9 above;

(c) the audited financial statements of the Group for each of the three financial years ended 31 December 2003, 31 December 2004 and 31 December 2005; and

(d) the circulars of the Company respectively dated 10 March 2006 in relation to a discloseable transaction for disposal of partial interest in associated company; dated 24 May 2006 in relation to a major transaction for acquisition of the Retail Group from CRMG.