CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 1049)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2006

CONSOLIDATED INCOME STATEMENT

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries ("Group") for the year ended 31 December 2006 together with the comparative figures for the last corresponding year are as follows:

	Notes	2006 HK$'000	2005 HK$'000
Revenue	(2)	**816,622**	213,620
Other income		**4,104**	3,480
Cost of sales for retailing business		**(277,100)**	–
Convertible loan note settlement income (expense)		**291**	(85)
Salaries, allowances and commission		**(228,369)**	(123,970)
Other operating, administrative and selling expenses		**(256,251)**	(70,879)
Depreciation of property and equipment		**(25,252)**	(11,656)
Finance costs		**(63,500)**	(16,984)
Net gain (loss) on investments held for trading		**18,621**	(6,632)
(Allowance for) Reversal of allowance for bad and doubtful debts		**(2,876)**	702
Recovery of bad debts		**–**	8,294
(Loss) Gain on disposal of property and equipment		**(2,331)**	6,773
(Loss) Gain on dilution of shareholding in subsidiaries and associates		**(4,182)**	16,289
Share of profit (loss) of associates		**14,374**	(26,728)
Gain on disposal of associates		**71,100**	–
Impairment loss recognised in respect of property and equipment		**(5,951)**	–
Impairment loss recognised in respect of available-for-sale investments		**–**	(10,800)
Profit (Loss) before taxation		**59,300**	(18,576)
Taxation (charge) credit	(4)	**(5,939)**	2,999
Profit (Loss) for the year from continuing operations		**53,361**	(15,577)
Discontinued operation			
Loss for the period from discontinued operation	(5)	**–**	(11,482)
Profit (Loss) for the year		**53,361**	(27,059)
Attributable to:			
Equity holders of the Company		**32,057**	(37,022)
Minority interests		**21,304**	9,963
		53,361	(27,059)
Earnings (Loss) per share	(6)		
From continuing and discontinued operations:			
– Basic		**HK$0.07**	HK$(0.08)
From continuing operations:			
– Basic		**HK$0.07**	HK$(0.06)
– Diluted		**HK$0.06**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	At 31 December 2006 HK$'000	2005 HK$'000
Non-current assets			
Property and equipment		**98,750**	12,802
Prepaid lease payments		**16,378**	–
Investment property		**5,000**	–
Available-for-sale investments		**33,392**	–
Goodwill		**212,027**	17,426
Interests in associates		**–**	103,870
Intangible assets		**68,712**	11,261
Other assets		**16,241**	7,564
Loan receivables		**656**	725
Deposit for acquisition of subsidiaries		**–**	56,095
Deferred tax assets		**1,575**	3,940
		452,731	213,683
Current assets			
Inventories		**49,624**	–
Account receivables	(7)	**782,181**	469,772
Loan receivables		**19,275**	38,460
Prepayments, deposits and other receivables		**58,454**	19,580
Receivable for disposal of an associate		**76,187**	–
Amounts due from associates		**373**	–
Listed investments held for trading		**49,325**	35,467
Derivative financial instrument		**–**	16
Bank deposits under conditions		**78,075**	17,125
Bank balances – trust and segregated accounts		**574,577**	352,902
Bank balances (general accounts) and cash		**168,569**	118,219
		1,856,640	1,051,541
Current liabilities			
Account payables	(8)	**1,071,830**	581,965
Deferred revenue		**8,027**	–
Accrued liabilities and other payables		**109,467**	35,801
Payable for acquisition of subsidiaries		**100,590**	–
Taxation payable		**4,869**	1,525
Obligations under finance leases – amount due within one year		**756**	150
Borrowings – amount due within one year		**405,189**	171,737
Convertible loan note – amount due within one year		**–**	30,242
		1,700,728	821,420
Net current assets		**155,912**	230,121
		608,643	443,804
Capital and reserves			
Share capital		**65,623**	43,748
Reserves		**239,332**	139,596
Equity attributable to equity holders of the Company		**304,955**	183,344
Equity component of convertible loan note of a listed subsidiary		**–**	581
Share option reserve of a listed subsidiary		**2,496**	883
Minority interests		**259,880**	179,273
Total equity		**567,331**	364,081
Non-current liabilities			
Deferred tax liabilities		**8,494**	–
Obligations under finance leases – amount due after one year		**541**	159
Borrowings – amount due after one year		**32,277**	79,564
		41,312	79,723
		608,643	443,804

Notes:

(1) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The audited consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the audited consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service concession arrangements[8]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2009.*
[3] *Effective for annual periods beginning on or after 1 March 2006.*
[4] *Effective for annual periods beginning on or after 1 May 2006.*
[5] *Effective for annual periods beginning on or after 1 June 2006.*
[6] *Effective for annual periods beginning on or after 1 November 2006.*
[7] *Effective for annual periods beginning on or after 1 March 2007.*
[8] *Effective for annual periods beginning on or after 1 January 2008.*

(2) Revenue

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

	2006 HK$'000	2005 HK$'000
Continuing operations		
Fees and commission income	**263,032**	178,720
Interest income	**83,067**	34,900
Online game subscription income	**25,316**	–
Sales of online game auxiliary products	**9,459**	–
Licensing income	**2,476**	–
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**433,272**	–
	816,622	213,620
Discontinued operation		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**–**	374,296
Others	**–**	229
	–	374,525

During the year ended 31 December 2005, due to the issuance of the subscription shares, the placing shares and option shares of CASH Retail Management Group Limited ("CRMG"), the Group's shareholding in CRMG was reduced from 66.52% to 44.69% as at 23 May 2005. From then onwards, CRMG became an associate of the Group and the retailing business engaged by CRMG was classified as discontinued operation of the Group.

As the Directors of the Company is optimistic about the retail business in Hong Kong in particular in view of the improving local economy and consumer market, the Group signed a sale and purchase agreement to acquire the entire interest on the Hong Kong retail businesses from CRMG on 20 February 2006. This acquisition was completed on 30 June 2006, as a result, the financial results of the retail business is consolidated to the Group's results in current year.

(3) Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, online game services, retailing, investment holding. The online game services division arose from acquisition of online game business on 10 January 2006 and the retailing division arose from acquisition of retailing business on 30 June 2006. These divisions are the basis on which the Group reports its primary segment information.

In 2005, retailing business is treated as discontinued operation due to the deemed disposal of CRMG as detailed in note (2) above.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services, wealth management and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and trendy digital products
Investment holding	Strategic investments

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2006

	Financial services *HK$'000*	**Online game services** *HK$'000*	**Retailing** *HK$'000*	**Investment holding** *HK$'000*	**Consolidated** *HK$'000*
Revenue	**345,977**	**37,251**	**433,272**	**122**	**816,622**
Segment profit (loss)	**82,413**	**(27,527)**	**(25,898)**	**(76)**	**28,912**
Share of profit of associates	**–**	**–**	**14,374**	**–**	**14,374**
Gain on disposal of associates	**–**	**–**	**71,100**	**–**	**71,100**
Unallocated corporate expenses					**(55,086)**
Profit before taxation					**59,300**
Taxation charge					**(5,939)**
Profit for the year					**53,361**

Balance sheet as at 31 December 2006

	Financial services *HK$'000*	**Online game services** *HK$'000*	**Retailing** *HK$'000*	**Investment holding** *HK$'000*	**Consolidated** *HK$'000*
ASSETS					
Segment assets	**1,537,905**	**182,249**	**339,433**	**33,467**	**2,093,054**
Unallocated corporate assets					**216,317**
Consolidated total assets					**2,309,371**
LIABILITIES					
Segment liabilities	**1,230,378**	**38,932**	**287,606**	**100,590**	**1,657,506**
Unallocated corporate liabilities					**84,534**
Consolidated total liabilities					**1,742,040**

Other information for the year ended 31 December 2006

	Financial services *HK$'000*	**Online game services** *HK$'000*	**Retailing** *HK$'000*	**Investment holding** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Additions of property and equipment	**9,416**	**10,890**	**7,775**	**–**	**1,685**	**29,766**
Addition of property and equipment in acquisition of subsidiaries	**–**	**9,169**	**81,163**	**–**	**–**	**90,332**
Allowance for bad and doubtful debts	**180**	**–**	**2,696**	**–**	**–**	**2,876**
Depreciation of property and equipment	**7,056**	**1,117**	**16,213**	**–**	**866**	**25,252**
Amortisation of prepaid lease payments	**–**	**–**	**207**	**–**	**–**	**207**
Loss on disposal of property and equipment	**–**	**98**	**2,233**	**–**	**–**	**2,331**
Impairment loss recognised in respect of property and equipment	**–**	**–**	**5,951**	**–**	**–**	**5,951**

Income statement 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*
Revenue	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 associates				(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				(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
Interests in associates			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
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

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. For the activities of financial services and retailing, they are mainly based in Hong Kong and the revenue of these activities are substantially derived from Hong Kong. The online game business activities are mainly based in the PRC and Taiwan and the relevant revenue for the year ended 31 December 2006 are derived mainly from the PRC and Taiwan.

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

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**778,066**	213,620
PRC	**26,830**	–
Taiwan	**11,726**	–
	816,622	213,620

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

Carrying amount of segment assets

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**1,905,384**	1,151,706
PRC	**148,444**	–
Taiwan	**39,226**	–
	2,093,054	1,151,706

Additions to property and equipment

	2006 *HK$'000*	2005 *HK$'000*
Hong Kong	**17,066**	7,539
PRC	**12,100**	–
Taiwan	**600**	–
	29,766	7,539

(4) Taxation (charge) credit

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2006 *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*
The (charge) credit comprises:						
Current tax:						
– Hong Kong	**(4,140)**	(941)	**–**	–	**(4,140)**	(941)
– PRC	**(143)**	–	**–**	–	**(143)**	–
	(4,283)	(941)	**–**	–	**(4,283)**	(941)
Overprovision in prior years	**94**	–	**–**	–	**94**	–
	(4,189)	(941)	**–**	–	**(4,189)**	(941)
Deferred taxation	**(1,750)**	3,940	**–**	–	**(1,750)**	3,940
	(5,939)	2,999	**–**	–	**(5,939)**	2,999

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

Certain subsidiaries of the Company are operating in PRC. They are subject to a tax rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone).

No provision for taxation has been made for the subsidiary operating in Taiwan as no assessable profit is arisen during the year.

(5) 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 the 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 loss for the year ended 31 December 2005 from discontinued operations is analysed as follows:

	2005
	HK$'000
Loss of retailing operation for the year	(10,508)
Loss on deemed disposals of CRMG	(974)
	(11,482)

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

	Period from 1.1.2005 to 23.5.2005
	HK$'000
Revenue	374,525
Cost of sales	(248,565)
Other operating, administrative and selling expenses	(124,193)
Depreciation of property and equipment	(10,019)
Finance costs	(2,256)
Loss before taxation	(10,508)
Taxation	–
Loss for the period	(10,508)

During the period from 1 January 2005 to 23 May 2005, CRMG paid HK$33,860,000 in respect of the Group's operating cash flows, paid HK$71,578,000 in respect of investing activities and received HK$104,429,000 in respect of financing activities.

(6) **Earnings (Loss) per share**

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year ended 31 December 2006 are based on the following data:

	HK$'000
Profit	
Profit for the purpose of basic earnings per share	32,057
Effect of dilutive potential ordinary shares:	
Interest on convertible loan note	274
Decrease in share of profits in CFSG and loss on dilution	(3,488)
Profit for the purpose of diluted earnings per share	28,843
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	463,852,715
Effect of dilutive potential ordinary shares assumed exercise of share options	499,003
Weighted average number of ordinary shares for the purpose of diluted earnings per share	464,351,718

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 was based on the following data:

	HK$'000
Loss for the purpose of basic and diluted loss per share	(37,022)
Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	437,483,827
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	437,483,827

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares for the relevant period.

Loss per share	
Continuing and discontinued operations	
Basic and diluted loss per share	HK$(0.08)

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 for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the year attributable to equity holders of the Company	(29,506)
Loss per share	
Continuing operations	
Basic and diluted loss per share	HK$(0.06)

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 for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the year attributable to equity holders of the Company	(7,516)
Loss per share	
Discontinued operation	
Basic and diluted loss per share	HK$(0.02)

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

No diluted loss per share amount for the year ended 31 December 2005 was disclosed as the effect of diluting event was insignificant.

(7) **Account receivables**

	2006	2005
	HK$'000	*HK$'000*
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**125,450**	29,894
Cash clients	**112,334**	94,958
Margin clients	**443,524**	270,707
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**83,847**	70,718
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**3,479**	2,275
Account receivables arising from the business of provision of corporate finance services	**372**	1,032
Account receivables arising from the business of provision of online game services	**12,715**	–
Trade debtors	**460**	–
Other account receivables	**–**	188
	782,181	469,772

Account receivables are netted off by allowance for bad and doubtful debts of HK$22,549,000 (2005: HK$27,872,000).

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 of the Company, 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 Mr Kwan Pak Hoo Bankee has a significant beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	**Balance at 31.12.2006**	**Balance at 1.1.2006**	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	*HK$'000*
Cash Guardian Limited	–	11,569	12,720

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 online game services, trade debtors and other account receivables, the Group allows a credit period of 30 days. The aged analysis is as follows:

	2006	2005
	HK$'000	*HK$'000*
0-30 days	**11,160**	2,373
31-60 days	**2,409**	436
61-90 days	**1,693**	5
Over 90 days	**1,764**	681
	17,026	3,495

(8) **Account payables**

	2006	2005
	HK$'000	*HK$'000*
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**679,498**	347,961
Margin clients	**106,132**	77,148
Account payables to clients arising from the business of dealing in futures and options	**142,500**	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**2,798**	3,010
Account payables arising from the online game services	**937**	–
Trade creditors	**139,965**	–
Other account payables	**–**	26,400
	1,071,830	581,965

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

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

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 of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The account payables amounting to HK$574,577,000 (2005: HK$352,902,000) 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.

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

Trade creditors principally comprise amount outstanding for trade purpose and ongoing costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of trade creditors at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0-30 days	**57,432**	–
31-60 days	**37,468**	–
61-90 days	**32,879**	–
Over 90 days	**12,186**	–
	139,965	–

(9) **Financial instruments**

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, borrowings, account receivables, other receivables, receivable for disposal of an associate, loan receivables, account payables, other payables, payable for acquisition of subsidiaries and convertible loan note. 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.

Financial risk management objectives and policies

Market risk

Equity price risk

The Group is exposed to equity price risk through its listed investments held for trading and available-for-sale investments. The board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Cash flow 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. The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arises.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at 31 December 2006 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 on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has significant concentration of credit risk on loan receivables and receivable for disposal of an associate as the credit risk are mainly attributable from certain limited counterparties, other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and the Directors of the Company consider the credit risk of such authorised institutions is low.

Liquidity risk

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

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments is estimated using discounted cashflow analysis and the applicable yield curve.

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

(10) Contingent liabilities

Company and subsidiaries

(a) In 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors of the Company confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors of the Company do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 31 December 2006 and 2005. Accordingly, no provision was made in the financial statements.

(b) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California 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 (equivalent to approximates HK$7,020,000) arising out of an employment contract between ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the Directors, the potential liability arisen is remote.

(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, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

(d) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a non-wholly-owned subsidiary of the Company, for an amount of HK$1,662,598. The nature of claim is a winding-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 of the Company is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

(11) Commitments

Capital commitments

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

	2006	2005
	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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2006 (2005: Nil).

REVIEW AND OUTLOOK

Financial Review

For the year ended 31 December 2006, the Group recorded revenue of HK$816.6 million as compared to HK$213.6 million in the previous year. The increase in revenue was partly due to the significant growth in financial services income recorded by the Group's financial services division (CASH Financial Services Group Limited ("CFSG")) for the current year and partly due to consolidating the revenue of its retailing division (CASH Retail Management (HK) Limited ("CRM(HK)")) subsequent to its acquisition in June 2006.

CFSG recorded revenue of HK$383.2 million for the year ended 31 December 2006 as compared to HK$213.6 million in the previous year. The increase was attributable to the significant growth in securities brokerage income due to the continued speculation over appreciation of RMB as well as the continuous boom of initial public offerings (IPO) during the year under review, especially for mega China-related enterprises.

For the year ended 31 December 2006, CFSG achieved a net profit attributable to shareholders of HK$39.9 million as compared to HK$26.6 million in the previous year. The increase in net profit attributable to shareholders was mainly attributable to an improved performance of CFSG's broking business. As a result of having consolidated the loss of Netfield Technology Limited and its subsidiaries ("Game Group") of HK$27.5 million for the year ended 31 December 2006, CFSG's consolidated profit had been reduced from HK$67.7 million to HK$40.2 million.

CRM(HK) still recorded a net loss for the year ended 31 December 2006 even though Pricerite had already recorded a turnaround profit of HK$14.0 million for the year under review. On the one hand, CRM(HK) had seen a continuing improvement in the local economy throughout the year. On the other hand, its retail business was being hit hard by the increase in rental and staff costs. Thus, Pricerite had managed to revamp its retail network and product ranges since 2005 in order to reduce the pressure of the rising costs on its retail business. It had also improved its profit margins by sourcing its household products at better prices but without compromising the product qualities expected from its customers upon setting up a new sourcing centre in the Yangtze River Delta in addition to its long established sourcing one in the Pearl River Delta during the year. The Group's other retail businesses, namely 3C Digital and LZ LifeZtore, still recorded operating losses for the year. Expansion of its retail business into the PRC market has been the Group's long term growth strategy. LZ LifeZtore had opened its first new store in Shanghai in September 2006 and another two new stores were to be opened in the city immediately subsequent to the end of the year. CRM(HK)'s operating loss was mainly due to the write-off of all pre-operating expenses for the new shops in the current year under review.

The Group sold a total of 32% shareholding investment in CRMG during the year and realised an aggregate gain on disposal of HK$71.1 million. Taking into account the profit on disposal of the CRMG shares, the operating profit of CFSG and the operating loss of CRM(HK), the Group recorded a turnaround result with a net profit attributable to shareholders of HK$32.1 million for the year ended 31 December 2006.

Liquidity and financial resources

The Group's total equity amounted to HK$567.3 million on 31 December 2006 as compared to HK$364.1 million at the end of the previous year. The net increase in equity was mainly attributed to the completion of a 2-for-1 rights issue in November 2006 raising approximately HK$61.2 million (before expenses) and the net profit reported for the year. This capital raising exercise has strengthened the capital base of the Group.

On 31 December 2006, our cash and bank balances were HK$821.2 million as compared to HK$488.2 million at the end of the pervious year. The increase in cash and bank balances was partly due to consolidating the cash and bank balances of CRM(HK) which became the wholly-owned subsidiaries of the Group in June 2006 and partly due to an increase in clients' deposits as CFSG's clients became more active in trading near the year end. The liquidity ratio on 31 December 2006 remained healthy at 1.1 times as compared with 1.3 times on 31 December 2005.

Our total borrowings on 31 December 2006 were HK$437.5 million as compared with the total borrowings of HK$251.3 million on 31 December 2005. The increase in borrowings was partly due to consolidating the borrowings of CRM(HK) and partly due to a rise in demand of margin financing from CFSG's clients near the year-end. Most of these borrowings were collateralised by our margin clients' securities pledged to us for seeking financing. A cash deposit of HK$78.1 million was pledged as collateral for a general banking facility 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 granted by the bank. At this year-end, a bank deposit of approximately HK$16.7 million was held for the purpose. A bank borrowing of HK$2.4 million was drawn down for financing the working capital of the Group. It was secured by personal guarantee from a director of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company), a subsidiary of the Group.

CFSG had a convertible loan note in the outstanding nominal value of HK$30.5 million on 31 December 2005. In January 2006, the noteholder of the convertible loan note had partially exercised the right attaching to the convertible loan note in the amount of HK$16.2 million at the conversion price of HK$0.27 each to convert into a total number of 60 million new shares of CFSG. In June 2006, CFSG had made early partial repayments of the convertible loan note in the total amount of HK$14.3 million. The convertible loan note was fully repaid as at the end of the year.

As at 31 December 2006, the Group's building at its market value of approximately HK$48.0 million was pledged to secure a bank term loan and general banking facilities granted to us.

Save as aforesaid, the Group had no other material contingent liabilities at the year-end.

Foreign exchange risks

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

Material acquisitions and disposals

CFSG

In September 2005, CFSG announced a major transaction for proposed acquisition of the Game Group at a consideration of HK$110 million and several funds raising activities. These transactions were approved and completed in January 2006. Accordingly, 155 million placing shares at a placing price of HK$0.40 per share and 120 million subscription shares at a subscription price of HK$0.40 per share were issued by CFSG to the Group and to various independent third parties respectively on 10 January 2006.

The Group

On 30 June 2006, the Group acquired 100% equity interest in CRM(HK) from CRMG at a final consideration of HK$130.6 million.

On 27 February 2006, the Group disposed of about 5% shareholding interest in CRMG at a total consideration of about HK$30 million. On 19 October 2006, the Group disposed of about 27% shareholding interest in CRMG at a final consideration of HK$106.2 million. CRMG was no longer an associated company of the Group since then. Subsequent to the balance sheet date in March 2007, the Group disposed of all the remaining 7.89% shareholding interest in CRMG at a total consideration of about HK$19.8 million. The Group did not hold any shareholding interest in CRMG after the disposals.

Subsequent to the balance sheet date in January 2007, the Group announced for (i) the proposed acquisition of the Game Group from CFSG ("Acquisition"). The consideration was finally fixed at HK$120 million; and (ii) the proposed grant of the option to Mr Lin Che Chu George to require the Group to transfer 10% of the issued share capital in Netfield Technology Limited for a cash consideration at 10% of the consideration with respect of the Acquisition. The transactions are subject to, inter alia, approval by independent shareholders at a special general meeting of the Company to be held on 23 April 2007.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2006.

Capital commitments

Save as the balance of the consideration of HK$100.6 million for the acquisition of CRM(HK) as disclosed above, the Group did not have any material capital commitment as at 31 December 2006.

Material investments

On 31 December 2006, the Group was holding a portfolio of listed and unlisted investment with a total value of approximately HK$49.3 million. During the year, a gain of HK$18.6 million on investments held for trading was recorded. Save as aforesaid, the Group did not hold any significant investment during the year nor did we have any future plans for material investments or capital assets.

Industry and Economic Review

2006 saw the third consecutive year of robust economic expansion in Hong Kong with GDP growth reaching 6.8% in real terms. The seasonally adjusted unemployment rate edged down to 4.3% at the end of the year, the lowest level in over eight and a half years. This, in turn, drove private consumption expenditure to grow by 5.1%, a much faster rise than the 3.3% increase in 2005.

The Hong Kong stock market set a number of new records during 2006 and the wealth effect was prevalent. In terms of market capitalisation, it reached HK$13,399 billion on 28 December. Total capital raised on new issues amounted to HK$333 billion. The Industrial and Commercial Bank of China raised HK$125 billion from the largest IPO ever in the world. The Hong Kong new issue market surpassed those of Toronto and New York and became the second largest fund raising centre in 2006. On the back of these market records, continued influx of liquidity, and strong investors' sentiment, average daily market turnover reached HK$34 billion, an 85% increase compared to the same period last year. The Hang Seng index reached 19,964, a 34% increase from 2005.

The consumer market saw total retail sales increase by 7.3% in value over 2005, the third consecutive year of growth since the SARS epidemic. Polarisation of consumption became more apparent. Luxury goods such as motor vehicles, jewellery, and alcoholic drinks saw double-digit growth during 2006. However, the local property market was still pedestrian, with both primary and secondary market transactions dropping by double digits. Total sales of furniture and fixtures grew by 3.2%, while electrical goods and photographic equipment rose by just 1.2%.

Business Review and Outlook

Financial Services – CASH Financial Services Group

Throughout 2006, CFSG continued to emphasise, as a key component of our development strategy, the diversification of product offerings and revenue sources both with a view to better service our clients as well as to minimise the impact on business performance across market cycles. CFSG remained on course on the strategy as we continue our pursuit of establishing ourselves as the financial services house of the choice for our clients.

Securities Broking

The market share of CFSG by turnover improved handsomely during the year due partly to the general market strength, and partly to our previous efforts to improve CFSG's delivery channels and execution platforms. The enhanced sales platforms that were put in place to deliver better execution have allowed CFSG to successfully expand our clientele to include institutional clients. Over the year, the division grew its number of sales agents by an encouraging double-digit. Despite the strong pick-up in the market activity, intense competition in the local brokerage industry continued to drive down brokerage commission rates, squeezing CFSG's operating profit margins. This trend will likely to sustain as an increasing number of banks are entering the securities broking business. Part of CFSG's new strategic direction is to focus on the high turnover business as a way to compensate for the impact of reduced commission on the industry.

Asset Management

The asset management business, launched two years ago to capture opportunities inherent in the high-net-worth market and to complement CFSG's strategy of providing a full suite of services to our clients, has proven to be an effective strategy. A portion of the assets under management provides CFSG with a growing opportunity to increase our base income with considerable incentive revenues earned when we achieve higher returns for our clients. The business experienced healthy and steady growth in assets over the year.

Wealth Management

Despite a fast growing financial planning industry, CFSG's wealth management division, while encountering fierce competition, experienced a slowdown in growth rate during 2006. To solidify and expand its market share in the increasingly competitive environment, the division will review its remuneration packages to attract industry professions and to strengthen cross-selling synergy with the house-served brokerage clients.

Investment Banking Group

At the beginning of the year, CFSG successfully sponsored the listing of Lingbao Gold, a high profile H-share, on the Hong Kong stock exchange. The listing drew good publicity and attention from the financial services industry. It also enhanced CFSG's credentials among potential listing candidates. During the year, the investment banking division continued to focus its efforts on emerging Chinese private and state-owned enterprises, which were listing candidates. The division was very active in broadening and deepening client relationships with these medium-sized companies and has received positive feedback. They are working on finalising a number of transactions initiated earlier and continuing to lay ground for the growing deal pipeline in the coming year.

Information Technology

As a technology leader and a client-focused service provider, CFSG constantly reviews and upgrades its system to ensure compatibility and its ease of use. After the implementation of a series of system enhancements for the online trading system in 2005, CFSG launched an advanced clients trading platform with multiple trading functionalities and features to enhance their trading experience past year. The new platform can be custom-made to fit the needs of institutional clients. In addition, it has enabled CFSG to stretch our reach geographically. This new platform will not only enable CFSG to better serve our existing self-served, technology-savvy clients, but also place CFSG in an advantageous position to compete in the premium mass-market segment.

Major Shareholders

The second largest shareholder of CFSG is one of Saudi Arabian's top ten investment groups, the ARTAR Group. CFSG also has an Austrian company, AvW Invest AG, listed in Vienna, as a strategic investor. The alliance with these two partners has broadened the shareholding base of CFSG from Asia to Middle East and Europe, raising our international recognition. More importantly, the alliance will assist CFSG in making inroads into the Middle East and European market to explore cross-selling and development opportunities.

Looking ahead into 2007, our strategy is to stay focused and our objective is to enhance profitability and increase market share through organic growth completed with acquisitions. We will, nevertheless, continue to grow CFSG's core business by enhancing online trading platform capability, strengthening cross-selling synergies within the Group, and expanding product offerings. With our commitment to excellence, dedication to servicing clients, and determination to create customer and shareholder value, we are confident that we will become the financial services house of choice for our clients through value-added services and enhanced client experience.

Mass Retail – Pricerite

Pricerite had a rewarding year in 2006. Re-engineering successfully turned the company around and also resulted in numerous awards over the year.

Service awards included a Certificate of Merit in the Hong Kong Awards for Industries Customer Service category, organised by the Hong Kong Retail Management Association, and the Customer Relationship Excellence Awards in the annual regional awards event organised by the Asia Pacific Customer Service Consortium. Pricerite's staff members continued to excel in the Hong Kong Management Association's Distinguished Salesperson Awards in 2006, the third consecutive year that Pricerite staff gained such recognition.

Pricerite also obtained Top Service Brand accreditation from the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong, a Best Potential Brand Enterprise Award from the Hong Kong Productivity Council, a Hong Kong and Macau Merchants of Integrity Award from the Guangzhou Daily, and Superbrands accreditation from the Superbrands organisation.

In addition to our relentless effort to enhance our service standard, we also upgraded Pricerite's supply chain platform to include a sourcing centre in the Yangtze River Delta in addition to the existing one in the Pearl River Delta. The new sourcing centre will allow the company to expand its sourcing reach, increase sourcing flexibility and boost control on quality and costs. Pricerite also strengthened product development to further expand the company's private-label products. We believe that these measures will help to increase our gross margin, deliver products with higher value and quality, and enhance flexibility in order to better meet customers' expectations.

In the coming year, Pricerite is looking at growth and expansion, both in terms of market share and profit margin. We will further consolidate our "neat and clean" position by growing the relevant product range, continuously enhancing our operating platform to accommodate more marketing initiatives in order to better serve customers' needs, and strengthening our presence in new residential districts by redesigning our store network. In this regard, rocketing rentals remain our prime concern and the major constraint on network development.

Lifestyle – LZ LifeZtore and 3C Digital

Our lifestyle businesses LZ LifeZtore and 3C Digital progressed well and achieved business targets.

The solid growth of LZ LifeZtore during 2006 was built on (1) our commitment to customer service, and (2) our distinctive brand, which provides customers with a unique shopping experience through a "FUNctional" approach and inspirational "ORIwest" design ideas. During its first year of operation, LZ LifeZtore gained industry recognition by winning several prominent awards, including 2006 Service and Courtesy Awards (across all levels in the furniture category) from the Hong Kong Retail Management Association, the Distinguished Salesperson Awards from the Hong Kong Management Association, and Superbrands accreditation from the Superbrands organisation.

With the middle class growing in number and wealth in both Hong Kong and the Mainland, we are confident that business is promising in the region. Our first LZ LifeZtore shop in China opened at the end of 2006 in Shanghai to capitalise on the booming lifestyle market in the Mainland, followed by the opening of the second flagship store in early 2007 in another high-customer traffic district of Shanghai. We are expecting to open more shops in Shanghai and other affluent cities to cater for the rising middle class in the Mainland.

During 2006, 3C Digital successfully established a strong brand image in the trendy digital product sector with its younger generation target customers through a series of high-profile co-marketing campaigns, including World Cup television sponsorship. 3C Digital is known for its innovative and personalised services and it was the first digital specialist in Hong Kong to obtain Hong Kong Q-Mark Service Scheme certification. 3C Digital opened its first island store in Causeway Bay to capture the trendy youth and thriving tourist markets. We will continue to broaden 3C Digital's customer base through offering more innovative and personalised services.

Entertainment Portal – Moli Group

Moli Group, our online game business, achieved strategic targets as set by the board of directors. During 2006, our award-winning, in-house developed massively multiplayer online role-playing game (MMORPG) King of Pirates (KOP) was successfully launched in Taiwan, Hong Kong, Singapore and Malaysia in three different languages. Given the positive market reception in these markets, distributors from other markets have been in contact to discuss licensing KOP in their respective countries. Moli expects that KOP will have a positive reception in more overseas markets in 2007.

Moli also launched a self-developed casual game Dragon Tiger Gate (DTG). DTG characters and settings are based on the popular comic and motion picture of the same name. DTG was the result of Moli's effort to integrate content from different media into online games.

In 2006 Moli secured exclusive distribution of the Korean-produced game CABAL Online, covering the Mainland, Taiwan and Hong Kong. CABAL was launched in Taiwan in the fourth quarter and rapidly topped the chart of the most popular MMORPG titles. The open beta version of CABAL launched in the Mainland in December received an enthusiastic reception from the market.

Over the year, Moli has developed into a fully-fledged provider of online entertainment content with research and development capabilities, proper management structure, a national distribution and promotion network, comprehensive payment channels, and international distribution power.

Corporate Citizenship

In addition to enhancing shareholder value and providing quality products and services to our customers, the CASH Group dedicates significant resources to fulfilling our social responsibilities as a good corporate citizen.

The CASH Group makes both human and financial resources available for charitable activities in the wider community.

Locally, our endeavours in 2006 culminated in "Building • Power", a community project involving Pricerite, 3C Digital, Hong Kong Christian Service and The Hong Kong Institute of Architects. The project set out to improve the living conditions of needy families by carrying out interior renovations and replacing or providing furniture and electrical appliances where appropriate. In addition to cash and furniture sponsorships, we arranged for employee volunteers to assist with deliveries and renovations. This innovative and meaningful project resulted in an Outstanding Partnership Project Award from the Hong Kong Council of Social Service. In 2006, all CASH companies also obtained the Caring Company Logo, with Pricerite accredited for the second time.

Further afield, we carried on with our assistance to UNICEF to support relief work in the wake of the 2004 Indian Ocean tsunami.

The CASH Group has always been a firm believer in education. During the year, we continued to provide scholarships to both local and Mainland students at leading universities in Hong Kong and the PRC, such as The CASH Group Scholarship for the New Asia College, the Chinese University of Hong Kong, and the CASH Education Fund for the Open University of Hong Kong. In addition, we initiated a Storybook Recycling Scheme enabling employees to donate books in good condition to charities and families in need.

The Group is highly aware of the threat posed by pollution and further deterioration of the environment, and we are committed to assisting in environmental protection by raising the awareness of our stakeholders, including employees and customers. During the year, we continued to participate in the World Environment programme, organised by the Environmental Protection Department, and the Green Student Council's "No Plastic Bag Day" programme. We also maintained our collection of recyclable toner cartridges, ink-jet bottles and paper, which were then sent to recycling agents for further processing.

EMPLOYEE INFORMATION

At 31 December 2006, the Group had 1,296 employees, of which 390 were at CFSG Group. 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. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$228.4 million. We continue to organise training to employees in areas such as product knowledge, customer service, selling techniques, team building, interview techniques, communication, presentation, coaching, counselling, influencing, mentoring, project management, database and system management, computer applications, efficient writing and continuous professional training programmes required by regulatory bodies.

CORPORATE GOVERNANCE

The Board adopted a set of corporate governance principles ("Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive Director ("ED(s)") and independent non-executive Director ("INED(s)") in respect of the due compliance of the rules and principles relevant to the Securities Code. During the CG Period, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code	Deviation and reason
A.2.1 The roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all EDs. During the CG Period, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs.

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

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2006 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2006, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITOR

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 20 April 2007

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Lin Che Chu George, and the Independent Non-executive Directors are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.