THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

POSSIBLE MAJOR TRANSACTION

RELATING TO

UNCONDITIONAL MANDATORY CASH OFFERS WITH REGARD TO CASH FINANCIAL SERVICES GROUP LIMITED

29 June 2007

CONTENTS

DEFINITIONS

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

"Accountants"	Deloitte Touche Tohmatsu, Certified Public Accountants and the auditors of the Company
"Acquisition"	the acquisition of the Sale Shares by CIGL from the Vendors at HK$0.38 per CFSG Share pursuant to the S&P Agreements
"Announcement"	the joint announcement dated 18 May 2007 issued by the Company and CFSG in relation to, among other things, the Offers
"ARTAR"	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of both the Company and CFSG holding approximately 16.5% and 15.0% of the issued share capital of the Company and CFSG respectively
"associate(s)"	has the same meaning ascribed in the Listing Rules and the GEM Listing Rules
"Board"	the board of Directors
"Cash Guardian	Cash Guardian Limited, a substantial Shareholder of the Company
"Celestial Capital	Celestial Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and an subsidiary of both the Company and CFSG, being the financial adviser to the Offeror in respect of the Offers
"CFSG	CASH Financial Services Group Limited (stock code: 8122), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the GEM and a subsidiary of the Company
"CFSG Board"	the board of directors of CFSG
"CFSG Directors"	the directors of CFSG
"CFSG Group"	CFSG and its subsidiaries

"CFSG Options"	options granted to executive directors, employees, consultant, adviser or agent of any member of the Group pursuant to the share option scheme of CFSG adopted on 19 February 2002 which entitle the holder thereof to subscribe for CFSG Share(s) at a certain exercise price
"CFSG Option Holders"	holders of CFSG Options
"CFSG Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of CFSG
"CFSG Shareholder(s)"	holder(s) of CFSG Share(s)
"CIGL" or "Offeror"	Celestial Investment Group Limited, a wholly-owned subsidiary of the Company
"Company"	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
"CRMG"	CASH Retail Management Group Limited (stock code: 996), a then associated company of the Group
"Directors"	the directors of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Game Group"	Netfield Technology Limited and its subsidiaries which mainly carry on online game business
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Independent CFSG Shareholders"	CFSG Shareholders other than the Offeror together with parties acting in concert with it

"Last Trading Day"	10 May 2007, the last trading day for the CFSG Shares prior to the date of the Announcement
"Latest Practicable Date"	26 June 2007, 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
"New Group"	the Group upon completion of the Offers
"Offers"	the Share Offer and the Option Offer
"Option Offer"	the unconditional mandatory cash offer for all outstanding CFSG Options at the Option Offer Price made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code
"Option Offer Price"	the cash amount of HK$0.084 payable by the Offeror to CFSG Option Holders for each outstanding CFSG Option accepted under the Option Offer
"PRC" or "China"	the People's Republic of China
"Retail Group"	CASH Retail Management (HK) Limited and its subsidiaries which mainly carry on retail businesses in Hong Kong
"S&P Agreements"	agreements entered into between, among others, CIGL as the purchaser and the Vendors on 11 May 2007 in relation to the Acquisition
"Sale Date"	11 May 2007, being the date of the S&P Agreements
"Sale Price"	the consideration for the Sale Shares in the amount of HK$0.38 per Sale Share
"Sale Share(s)"	27,000,000 existing CFSG Share(s)
"SFC"	the Securities and Futures Commission

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Offer"	the unconditional mandatory cash offer for all the issued CFSG Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it at the Share Offer Price made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code
"Share Offer Price"	the cash amount of HK$0.38 payable by the Offeror to CFSG Shareholders for each CFSG Share accepted under the Share Offer
"Share(s)"	ordinary shares of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holders of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendors"	the vendors of the Sale Shares who are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
"HK$" and "HK cents"	Hong Kong dollar(s), the currency of Hong Kong
"%"	per cent

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
LIN Che Chu George

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

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
21/F The Center
99 Queen's Road Central
Hong Kong

29 June 2007

To Shareholders

Dear Sir/Madam,

POSSIBLE MAJOR TRANSACTION

RELATING TO

UNCONDITIONAL MANDATORY CASH OFFERS WITH REGARD TO CASH FINANCIAL SERVICES GROUP LIMITED

INTRODUCTION

Reference is made to the Announcement. On 18 May 2007, the Company and CFSG jointly announced that, among other things, CIGL (a wholly-owned subsidiary of the Company) had entered into the S&P Agreements with the Vendors pursuant to which CIGL has acquired an aggregate of 27,000,000 CFSG Shares, representing approximately 1.95% shareholding in CFSG, from the Vendors for a consideration of HK$0.38 per CFSG Share. The Acquisition was completed on 11 May 2007.

The Offeror, together with parties acting in concert with it, were beneficially interested in an aggregate of 713,293,982 CFSG Shares, representing approximately 51.58% of the issued share capital of CFSG before the Acquisition. In the 12-month-period immediately prior to the Acquisition, the lowest collective percentage holding of the Offeror and the parties acting in concert with it was 49.87% on 12 May 2006. Immediately following the completion of the Acquisition, the Offeror and parties acting in concert with it were interested in 740,316,592 CFSG Shares, representing approximately 53.53% of the total issued CFSG Shares. As the Offeror, together with parties acting in concert with it, have acquired more than 2% of the voting rights of CFSG immediately after the Acquisition compared with their lowest collective percentage holding in CFSG in the preceding 12-month-period, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued CFSG Shares other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it in accordance with Rule 26.1(d) of the Takeovers Code. Under Rule 13 of the Takeovers Code, the Offeror is also required to make a comparable offer for the outstanding CFSG Options not already owned by the Offeror or parties acting in concert with it.

Celestial Capital has made the Offers on behalf of the Offeror to the Independent CFSG Shareholders and the CFSG Option Holders for all the issued shares in, and all outstanding share options of, CFSG other than other those already owned by or agreed to be acquired by the Offeror or parties acting in concert with it. A composite offer document dated 7 June 2007, combining the offer document and the offeree document, containing details of the Offers has been despatched to the Shareholders, the CFSG Shareholders and the CFSG Option Holders on the same day.

Under the Listing Rules, the Offers constitute a possible major acquisition for the Company and require the approval of the Shareholders. Cash Guardian and ARTAR, being a closely allied group of substantial Shareholders of the Company who collectively own approximately 53.19% in nominal value of the Shares giving the right to attend and vote at the general meeting of the Company, have issued a written certificate to the Company to approve the Offers in lieu of a resolution to be passed at a general meeting of the Company to consider the Offers.

The purpose of this circular is to give you further information regarding the S&P Agreements and the Offers.

THE S&P AGREEMENTS

Date:	11 May 2007
Vendors:	To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Vendors and their ultimate controlling beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company. The principal activities of the Vendors are investment holding.
Purchaser:	CIGL (a wholly-owned subsidiary of the Company) which was, together with parties acting in concert with it, interested in 713,293,982 CFSG Shares, representing approximately 51.58% of the issued share capital of CFSG, before the Acquisition.
Purchaser Guarantor:	Celestial Asia Securities Holdings Limited (i.e. the Company).
Sale Shares:	27,000,000 CFSG Shares, representing approximately 1.95% of the issued share capital of CFSG.
Sale Price:	HK$0.38 per Sale Share in cash. The total consideration for the Sale Shares was HK$10,260,000, being satisfied by the internal resources of the Company and bank borrowing. The Sale Price represented (i) a discount of 1.30% to and premium of 1.06% over the closing price of the CFSG Shares immediately preceding the Sale Date of HK$0.385 and the 5-day average closing price of the CFSG Shares immediately preceding the Sale Date of HK$0.376 respectively; and (ii) a discount of approximately 48.65% to the closing price of HK$0.740 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date. The Sale Price was determined between CIGL and the Vendors on an arm's length basis with reference to the then prevailing market price of the CFSG Shares as at the date of the S&P Agreements. The Board considered that the Sale Price was fair and reasonable.
Completion:	The Acquisition is not subject to any condition and the Acquisition was completed on the Sale Date.

FINANCIAL INFORMATION ON CFSG

The current principal activities of CFSG Group are the provision of (a) online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance and (d) other financial services.

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the CFSG Group for the year ended 31 December 2005 were about HK$23.8 million and HK$26.6 million respectively, and the audited consolidated net profits before and after taxation, minority interest and extraordinary items of the CFSG Group for the year ended 31 December 2006 were about HK$46.1 million and HK$39.9 million respectively.

The audited consolidated net assets of the CFSG Group as at 31 December 2005 were about HK$356.6 million and the audited consolidated net assets of the CFSG Group as at 31 December 2006 were about HK$479.8 million.

Pursuant to Rule 4.01 of the Listing Rules, accountants' report of the CFSG Group is not required to be included in this circular as CFSG is a company listed on the GEM. The financial information of the CFSG Group for the last three financial years ended 31 December 2004, 31 December 2005 and 31 December 2006 are set out in appendix II to this circular.

REASONS FOR THE ACQUISITION AND THE OFFERS

The current principal activities of the Group consist of (a) financial services provided via CFSG 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; (b) retailing of furniture and household items and trendy digital products; (c) online game services, sales of online game auxiliary products and licensing services; and (d) investment holding. CFSG is currently a subsidiary of the Company.

The Hong Kong stock market has been active and buoyant throughout the whole year of 2006. Signs of accelerating economic pick-up in PRC and continued speculation over RMB appreciation attracted significant inflow of hot money into Hong Kong, particularly into China-related shares. Both China H-shares, red-chips and Hang Seng Indices had hit their respective record highs in December 2006. The average daily turnover for shares traded on the Stock Exchange in 2006 was approximately HK$33.7 billion, approximately 85.2% up from HK$18.2 billion in 2005. Notably, the initial public offering ("IPO") market was hot and most IPO issues had been overwhelmingly received by the market because of investors' confidence and the abundance of liquidity. CFSG had experienced rapid growth in its financial services business in the past two years on the back of the economy recovery and good performance of the Hong Kong stock market. CFSG achieved favourable results with turnover and net profit attributable to shareholders rose 79.5% and 50% respectively for the year ended 31 December 2006 as compared with year 2005. Also, the turnover and net profit attributable to CFSG Shareholders in the first quarter of 2007 rose 89.8% and 86.5% respectively as compared with the same period last year.

Riding on China's booming economy, the Directors consider that there are tremendous growth opportunities for CFSG both in Hong Kong and on the mainland. The Board believes that, through the Acquisition and the Offers by increasing the controlling interests in CFSG, stable income will be provided for the Group and the shareholders' value of the Company will be enhanced which are in the interests of the Company and its shareholders as a whole.

The Sale Price was determined after arm's length negotiation between the parties to the S&P Agreements. Although the Sale Price represents a slight discount of approximately 1.30% to the closing price of HK$0.385 per CFSG Share on the Last Trading Day, on the basis that (a) the Sale Price of HK$0.38 per CFSG Share also represents a premium of about 8.57% over the audited net asset value of approximately HK$0.35 per CFSG Share as at 31 December 2006; (b) the relatively thin trading volume of the CFSG Shares (the average daily volume was approximately 1,658,000 CFSG Shares based on the 3 months' trading volume up to 30 April 2007, representing approximately only 6.14% of the Sale Shares); and (c) the reasons for the Acquisition and the Offers as set out above, the Board is of the opinion that the terms of the S&P Agreements and of the transactions contemplated thereunder including the Sale Price and the Offers are fair and reasonable and in the interests of the Company and its shareholders as a whole.

FINANCIAL INFORMATION ON THE GROUP

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$30.1 million and HK$37.0 million respectively.

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2006 were about HK$59.3 million and HK$32.1 million respectively.

The audited consolidated net assets of the Group as at 31 December 2005 were about HK$183.3 million, and the audited consolidated net assets of the Group as at 31 December 2006 were about HK$305.0 million.

INFORMATION OF THE OFFEROR

The Offeror is an investment holding company, which was incorporated in the British Virgin Islands with limited liability on 19 January 1994, and its entire issued share capital is beneficially owned by the Company.

SHAREHOLDING STRUCTURE OF CFSG

The following table sets out the shareholding structure of CFSG (based on information received by CFSG and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) immediately before and after the Acquisition:

	Before the Acquisition		After the Acquisition and as at the Latest Practicable Date		After the Acquisition, assuming all the CFSG Shareholders (save as CIGL and parties acting in concert with it, and those CFSG Shareholders who have undertaken not to accept the Share Offer *(Note 4)*) accept the Share Offer	
	No. of CFSG Shares	*Approximate %*	*No. of CFSG Shares*	*Approximate %*	*No. of CFSG Shares*	*Approximate %*
Offeror	644,295,434	46.59	671,318,044	48.54	1,053,140,900	76.15
Cash Guardian *(Note 1)*	40,392,000	2.92	40,392,000	2.92	40,392,000	2.92
Directors						
Mr Law Ping Wah Bernard	17,264,000	1.25	17,264,000	1.25	17,264,000	1.25
Mr Wong Kin Yick Kenneth	10,860,000	0.79	10,860,000	0.79	10,860,000	0.79
Mr Lin Che Chu George	280,000	0.02	280,000	0.02	280,000	0.02
Other parties acting in concert with the Offeror *(Note 2)*	202,548	0.01	202,548	0.01	202,548	0.01
Offeror and parties acting in concert with it	713,293,982	51.58	740,316,592	53.53	1,122,139,448	81.14
ARTAR *(Note 3)*	207,636,000	15.01	207,636,000	15.01	207,636,000	15.01
CFSG Directors (other than those who are also Directors)						
Mr Cheng Man Pan Ben *(Note 4)*	1,288,000	0.09	1,288,000	0.09	1,288,000	0.09
Mr Cheng Shu Shing Raymond *(Note 4)*	1,100,000	0.08	1,100,000	0.08	1,100,000	0.08
Sub-total:	2,388,000	0.17	2,388,000	0.17	2,388,000	0.17
CFSG's subsidiaries' directors and their associates	2,344,375	0.17	2,344,375	0.17	–	–
Public *(Note 4)*	457,389,091	33.07	430,366,481	31.12	50,888,000	3.68
Total	1,383,051,448	100.00	1,383,051,448	100.00	1,383,051,448	100.00

Notes:

(1) Cash Guardian is a company controlled by Mr Kwan Pak Hoo Bankee, the chairman of both the Company and CFSG, and is a party acting in concert with CIGL.

(2) The parties acting in concert with the Offeror are close relatives of Mr Kwan Pak Hoo Bankee, the chairman of both the Company and CFSG.

(3) ARTAR is a substantial shareholder of both the Company and CFSG.

(4) ARTAR, the above-named CFSG Directors and certain CFSG Shareholders (which in aggregate hold 50,888,000 CFSG Shares) have irrevocably undertaken not to accept the Share Offer in respect of a total of 260,912,000 CFSG Shares). In addition, all CFSG Option Holders have undertaken not to accept the Option Offer and not to exercise the CFSG Options before the close of the Offers.

Upon close of the Offers, if less than 20% of the CFSG Shares are held by the public, the Offeror and CFSG Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps which may include, placing of new and/or existing issued CFSG Shares by CFSG and/or the Offeror respectively, to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by CFSG.

THE OFFERS

The Offers have been made in compliance with the Takeovers Code by Celestial Capital on behalf of the Offeror on the basis of HK$0.38 in cash for each CFSG Share under the Share Offer and HK$0.084 in cash for each outstanding CFSG Option under the Option Offer.

The Share Offer Price was the same as the Sale Price for each Sale Share under the S&P Agreements. The Option Offer Price was determined by reference to the exercise price of the CFSG Options at HK$0.296 per CFSG Shares. The Option Offer Price was equivalent to the difference between the Share Offer Price and the exercise price of the CFSG Options.

Each of the CFSG Directors (other than those who are also Directors) (beneficially holding an aggregate of 2,388,000 CFSG Shares), ARTAR (beneficially holding 207,636,000 CFSG Shares) and certain CFSG Shareholders (beneficially holding an aggregate of 50,888,000 CFSG Shares) have given an irrevocable undertaking that they will not accept the Share Offer.

Each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers.

A composite offer document dated 7 June 2007, combining the offer document and the offeree document, containing details of the Offers has been despatched to the Shareholders and the CFSG Shareholders and the CFSG Option Holders on the same day.

POSSIBLE MAJOR ACQUISITION OF THE COMPANY

As at the Latest Practicable Date, there are a total of 1,383,051,448 CFSG Shares in issue (of which 740,293,982 CFSG Shares are already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror will acquire a maximum of 381,845,466 CFSG Shares under the Share Offer after taking into account the undertakings from CFSG Directors (other than those who are also Directors), ARTAR and certain CFSG Shareholders for a total of 260,912,000 CFSG Shares that they will not accept the Share Offer as mentioned under the heading "The Offers" above.

Under the Listing Rules, the acquisition of a maximum of 381,845,466 CFSG Shares under the Offers constitutes a possible major acquisition for the Company and requires the approval of the Shareholders. Cash Guardian and ARTAR, being a closely allied group of substantial Shareholders of the Company who collectively own approximately 53.19% in nominal value of the Shares giving the right to attend and vote at the general meeting of the Company, have issued a written certificate to the Company to approve the Offers in lieu of a resolution to be passed at a general meeting of the Company.

As no Shareholders will be required to abstain from voting on the relevant resolution(s) should a special general meeting of the Company be held, pursuant to Rule 14.44 of the Listing Rules, the Company does not need to hold a general meeting to consider the Offers.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial prospects

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 as compared with a loss of HK$37.0 million for last year after taking into account the gain on disposal of 32% shareholding investment in CRMG, the operating profit of CFSG and the operating loss of the Retail Group during year 2006. The major revenues of the Group are from its two major streams of business, namely the CFSG Group (financial services division) and the Retail Group (retail business division).

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

The Retail Group 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 ended 31 December 2006. On the one hand, the Retail Group 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 2006. The Group's other retail businesses, namely 3C Digital and LZ LifeZtore, still recorded operating losses for the year 2006. 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. The Retail Group's operating loss was mainly due to the write-off of all pre-operating expenses for the new shops in 2006.

Trading prospects

The CFSG Group achieved favourable results and experienced respectable growth in its financial services business in the past year. Its brokerage business, among other business units, continued to experience the fastest growth in 2006 within the CFSG Group while revenue from other businesses continued to show steady and healthy increases in 2006. The enhanced sales platforms that it put in place to deliver better execution have allowed it to successfully expand its clientele to include institutional clients. The wealth management division, while encountering fierce competition, continued to maintain its share of the revenue contribution in 2006. To solidify and expand its market share in the increasingly competitive environment, the division will strengthen cross-selling synergy with the house-served brokerage clients. The investment banking unit continued to be active in sourcing deals from medium-sized companies in the PRC. The asset management business, which was launched in 2005, has experienced healthy growth in 2006. It continues to focus on growing its client base and assets under management while preparing to launch the discretionary portfolio management service. The CFSG Group will focus its resources and capital on developing its promising financial services business, including brokerage, wealth management, investment banking and direct investment fund.

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

The Game Group (online game division), though performed in line with the business and financial targets in 2006, was transferred from the CFSG Group to the Group. The Group will continue to explore new online games and expand its already extensive national and international distribution channels to increase the number of online game players, which, in turn, helps to generate sizable incomes in the coming year.

Material acquisitions and disposals of the Group

- On 9 January 2007, the Company and CFSG jointly announced (i) the proposed transfer of the Game Group from the CFSG Group to the Group. The consideration was finally fixed at HK$120 million; and (ii) the proposed grant of the option to Mr Lin Che Chu George, the executive Director, to require the Group to transfer 10% of the issued share capital in Netfield Technology Limited, being the holding company of the Game Group, for a cash consideration at 10% of the consideration with respect of the consideration for the acquisition of the Game Group. The transaction was completed on 1 June 2007.

- On 7 March 2007, the Company announced the disposal of about 4.19% shareholding interest in CRMG at a consideration of about HK$10.5 million on 6 March 2007.

- On 13 March 2007, the Company further announced the disposal of all the remaining about 3.70% shareholding interest in CRMG at a consideration of about HK$9.3 million on 12 March 2007. The Group ceased to hold any shareholding interest in CRMG since then.

- On 19 May 2007, the Company and CFSG jointly announced the Acquisition and the Offers.

Save as aforesaid, the Group did not make any material acquisitions or disposals subsequent to the year ended 31 December 2006 and up to the Latest Practicable Date. There was no significant investment held. The Group does not have any future plans for material investments or capital assets.

Employee information

As at 31 December 2006, the Group had 1,296 employees, of which 390 were at the CFSG Group. The 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 2006 was approximately HK$228.4 million. The Group continued 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.

BUSINESS, DISCUSSION AND ANALYSIS OF THE CFSG GROUP

Business and financial review for the year ended 31 December 2004

For the year ended 31 December 2004, the CFSG Group recorded a net profit attributable to shareholders of HK$21.3 million as compared with HK$10.7 million in the previous year. The marked increase was attributed to the continuously positive sentiment in domestic stock market and the synergy effect resulting from the acquisition of wealth management business.

The CFSG Group's turnover rose to HK$240.0 million for the full year, which was 25.6% higher than that of 2003.

Notwithstanding an increase in business transaction volume under the buoyant market environment, the CFSG Group remained focused on cost rationalisation. Taking into account of the consolidation of a subsidiary acquired in the second half of 2003, its operating overhead moderately increased by 13.5% to HK$178.1 million. Its cost leadership approach has enabled the CFSG Group to quickly capitalise on the market recovery in 2004 to achieve profitability and to be well prepared for future growth.

The CFSG Group's total shareholders' equity amounted to HK$240.3 million as of 31 December 2004 as compared to HK$119.3 million at the end of the previous year. The improvement, apart from earnings retained, was mainly attributed to the completion of a 1-for-1 rights issue in May raising approximately HK$101.9 million (before expenses). This capital raising exercise has strengthened its capital base so that the CFSG Group was in the best position to capture emerging opportunities.

On 31 December 2004, its cash and bank balances totaled HK$521.4 million, representing an increase of HK$81.1 million as compared with the previous year. This was a result of an increase in clients' deposits due to recovery in market confidence since the second half of 2003. It's liquidity ratio on 31 December 2004 remained healthy at 1.3 times as compared 1.2 times on 31 December 2003.

Its total bank borrowings on 31 December 2004 were HK$96.2 million, which were drawn to fund securities margin financing to its clients. Most of these bank borrowings were collateralised by its margin clients' securities pledged to it in turn for the purpose of securing financing from it. Apart from these, which were largely of a back-to-back nature, it had no other bank borrowings at the end of the year as it exercised prudence to ensure that its financial resources would not be in any way strained.

In August, the CFSG Group entered into a convertible note agreement with ARTAR, a prominent investment conglomerate in Saudi Arabia, for a consideration of HK$40.5 million. Together with this convertible note of HK$40.5 million, the ratio of its interest bearing borrowings to shareholders' equity was decreased to 57.2% on 31 December 2004 as compared to 2.9 times on 31 December 2003. Insofar as that the convertible note accounted for approximately 17.0% of the shareholders equity with the maturity date on 31 December 2006, as well as the bank borrowings being of a back-to-back nature, its gearing was kept at a conservatively low level.

As of the end of the year, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Cash deposits of approximately HK$0.8 million were pledged to secure general banking facilities granted to a subsidiary for bank guarantee. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG Group covenant 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. Therefore, a bank deposit of approximately HK$16.0 million was held for this purpose. Save as aforesaid, it had no other material contingent liabilities.

As at 31 December 2004, the CFSG Group was holding a portfolio of listed investment with market value of approximately HK$47.0 million and a loss on investment of HK$20.1 million (including unrealised gain or loss arising from marking the value of investments to the market prices) was recorded for the year. During the year ended 31 December 2004, the CFSG Group did not make any material acquisitions or disposals nor did it hold any significant investment. It did not have any future plans for material investments or capital assets.

Employee information

At 31 December 2004, the CFSG Group had 188 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it 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 CFSG Group for the year under review was approximately HK$50.0 million. The CFSG Group continued to organise training to employees in areas such as product knowledge, language training, customer service, selling techniques, problem solving, time management, motivation, team building, coaching and continuous professional training programmes required by regulatory bodies.

Business and financial review for the year ended 31 December 2005

For the year ended 31 December 2005, the CFSG Group recorded a net profit attributable to shareholders of HK$26.6 million as compared to HK$20.4 million in the previous year. The increase was mainly attributable to an improved performance of the securities trading portfolio, and a decrease in depreciation and amortisation charges resulting from the adoption of the new financial reporting standards in the year under review.

The CFSG Group 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 decrease was in part a reflection of a directionless market environment throughout the first half of the year under review and in part a result of a change in accounting treatment for brokerage commission de-regulation, especially in Hong Kong domestic securities market rebate for the current year. After the abolition of the minimum commission requirement, a significant portion of its commission revenue has been changed from a gross to a net basis. While this has technically reduced the revenue of the year, it had virtually no impact on its net profit. The brokerage revenue in the second half of the year began to pick up albeit at a much slower pace when the expectation that the US Federal Reserve would soon end its cycle of rising interest rates had greatly improved the sentiment of the securities market in the region.

The CFSG Group's total equity amounted to HK$358.1 million on 31 December 2005 as compared to HK$240.3 million at the end of the previous year. The net increase was due to the growth in retained earnings and new funds raised to strengthen capital bases during the second half of the year.

On 31 December 2005, its cash and bank balances including trust and segregated accounts totaled HK$487.5 million as compared to HK$521.4 million at the end of the previous year. The reduction in cash and bank balances was a result of a decrease in clients' deposits as they became more active in trading near year-end. On the other hand, its house funding rose as a result of several fund raising activities near year-end. The liquidity ratio on 31 December 2005 remained healthy at 1.3 times, being virtually unchanged from 31 December 2004. Given the strong funding requirements of the business and the expectation that the market would remain robust in the coming year, it believed it was in the best interest of the shareholders that it retained and reinvested the corporate funds back into the operations.

Its total bank borrowings on 31 December 2005 were HK$171.7 million, which were drawn to fund securities margin financing to its clients. Most of these bank borrowings were collateralised by its margin clients' securities pledged to it in turn for the purpose of securing financing from it. Apart from these, largely back-to-back advances, it had no other bank borrowings at the end of the year as it exercised prudence to ensure that its financial resources would not be in any way strained.

During the year, the CFSG Group made several early partial repayments of a convertible loan note in an amount totalling HK$10.0 million, thereby reducing the outstanding nominal value of the convertible loan note to HK$30.5 million at the end of the year. Together with this convertible loan note, the ratio for its interest bearing borrowings to total equity was 56.4% on 31 December 2005 as compared to 56.6% on 31 December 2004. Insofar as that the convertible loan note, which accounted for approximately 8.4% of the total equity, matures on 31 December 2006, as well as the bank borrowings being of a back-to-back nature, its gearing was kept at a conservatively low level.

As of the end of the year, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Cash deposits of approximately HK$0.9 million were pledged to secure general banking facilities granted to a subsidiary. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG Group covenant 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. To this end, a bank deposit of approximately HK$16.2 million was held for this purpose. Save as aforesaid, it had no other material contingent liabilities.

In September 2005, the CFSG Group announced a major transaction for the proposed acquisition of the Game Group at a consideration of HK$110.0 million and several fund raising activities. These transactions were approved by the shareholders at the special general meeting of CFSG held on 20 December 2005 and all had been completed subsequent to the balance sheet date in January 2006. The placing of 145 million CFSG Shares held by CIGL to independent third parties at HK$0.40 each was completed on 23 September 2005. The corresponding top up of 145 million CFSG Shares to CIGL was then completed on 5 October 2005. The placing of 155 million CFSG Shares to various independent third parties at HK$0.40 each and the subscription of 120 million CFSG Shares by CIGL at HK$0.40 each were completed subsequent to the balance sheet date on 10 January 2006.

On 15 September 2005, 132 million CFSG Shares at a subscription price of HK$0.27 each were issued to CIGL.

As at 31 December 2005, the CFSG Group was holding a portfolio of listed investments with market value of approximately HK$42.5 million and a loss on such listed investments of HK$3.3 million was recorded for the year.

Save as disclosed above, the CFSG Group did not make any material acquisitions or disposals nor did it hold any significant investment during the year ended 31 December 2005. Save as the balance of the consideration of HK$55.0 million to be paid for the acquisition of the Game Group, the CFSG Group did not have any material capital commitment as at 31 December 2005. The balance was fully paid in January 2006 upon completion of the acquisition of the Game Group. It did not have any future plans for material investments or capital assets.

Employee information

At 31 December 2005, the CFSG Group had 209 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it 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 CFSG Group for the year under review was approximately HK$50.6 million. It continued 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, it also liased with external consultants to conduct team building training program.

Business and financial review for the year ended 31 December 2006

For the year ended 31 December 2006, the CFSG Group 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 the CFSG Group's broking business. As a result of having consolidated the loss of the Game Group of HK$27.5 million for the year ended 31 December 2006, the CFSG Group's consolidated profit had been reduced from HK$67.7 million to HK$40.2 million.

The CFSG Group recorded revenues of HK$383.2 million for the year ended 31 December 2006 as compared to HK$213.6 million for 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 the IPO during the year under review, especially for mega China-related enterprises.

The CFSG Group's total equity amounted to HK$483.6 million on 31 December 2006 as compared to HK$358.1 million at the end of the previous year. The net increase was due to the growth in retained earnings and new funds raised to strengthen capital bases during the first half of the year.

On 31 December 2006, its cash and bank balances including trust and segregated accounts totalled HK$675.6 million as compared to HK$487.5 million at the end of the previous year. The increase in cash and bank balances of the trust and segregated accounts was a result of an increase in clients' deposits as they became more active in trading near year-end. On the other hand, the decrease in cash and bank balances of its house accounts was a result of intense demand for margin financing from its clients during the year. The liquidity ratio on 31 December 2006 remained healthy at 1.2 times, as compared to 1.3 times on 31 December 2005.

Its total bank borrowings on 31 December 2006 were HK$279.8 million, comprising bank loans of HK$190.4 million and overdrafts of HK$89.4 million. The bank borrowings of HK$277.4 million were drawn to fund securities margin financing to its clients. HK$262.3 million of these bank borrowings were collateralised by its margin clients' securities pledged to it for seeking financing. A cash deposit of HK$10.2 million was pledged as collateral for a general overdraft facility of HK$30 million. However, no overdraft was drawn down under this facility at the balance sheet date. Another deposit of HK$0.9 million was pledged to secure a general banking facility granted to its subsidiary. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG 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. The remaining bank borrowing of HK$2.4 million was drawn for financing the working capital of the Game Group. It was secured by personal guarantee from a director of its subsidiary, Fugleman Entertainment Company.

Apart from these, largely back-to-back advances, it had no other bank borrowings at the end of the year as we exercised prudence to ensure that its financial resources would not be in any way strained.

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 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 the year. The ratio for its interest bearing borrowings to total equity was 57.9% on 31 December 2006 as compared to 56.4% on 31 December 2005. As most of the bank borrowings being of a back-to-back nature, its gearing was kept at a conservatively low level.

As at the end of the year, the CFSG Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Save as aforesaid, it had no other material contingent liabilities.

In January 2007, subsequent to the balance sheet date, the CFSG Group announced a connected and discloseable transaction for the proposed disposal of the entire issued capital of the Game Group to the CFSG Group's controlling shareholder at a consideration of the higher of HK$120 million or the valuation of the online game business operated by the Game Group as at 31 December 2006. The Game Group is an online game developer and operator in PRC and Taiwan. The Game Group was originally acquired by the CFSG Group at a consideration of HK$110 million in September 2005 and the acquisition was completed in January 2006. Also, the fund raising exercises as announced in September 2005 were completed in January 2006. 155 million placing CFSG Shares at a placing price of HK$0.40 each and 120 million subscription CFSG Shares at a subscription price of HK$0.40 each were issued to CIGL and to various independent third parties respectively on 10 January 2006.

As at 31 December 2006, the CFSG Group was holding a portfolio of listed investments with market value of approximately HK$54.3 million and a profit on such listed investments of HK$10.3 million was recorded for the year.

Save as disclosed above, the CFSG Group did not make any material acquisitions or disposals nor did it hold any significant investment during the year ended 31 December 2006. The CFSG Group did not have any material capital commitment as at 31 December 2006. It did not have any future plans for material investments or capital assets.

Employee information

At 31 December 2006, the CFSG Group had 390 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it 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 CFSG Group for the year under review was approximately HK$79.5 million. It continued 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.

EFFECTS OF THE OFFERS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Earnings

The CFSG Group has been a subsidiary of the Company prior to the Offers and its assets and liabilities have been consolidated into the consolidated financial statements of the Group. The Group will not record any profit and loss upon completion of the Offers as it represents an intra-group transaction.

Net assets

Based on the audited consolidated balance sheet of the Group as at 31 December 2006 set out in the 2006 annual report of the Company, the net assets of the Group as at 31 December 2006 was approximately HK$567.3 million. Based on the unaudited pro forma assets and liabilities statement of the New Group set out in Appendix II to this circular, prepared on the assumption that the Offers had been completed on 31 December 2006, the unaudited pro forma net assets of the New Group would be approximately HK$433.7 million with minority interest being decreased by approximately HK$133.6 million.

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

1. FINANCIAL INFORMATION

A. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 31 DECEMBER 2006

The following is a summary of the audited consolidated profit and loss accounts and financial positions for each of the three years ended 31 December 2006 as extracted from the annual reports of the Group for the respective years.

Consolidated Profit and Loss Account

	For the year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000* (restated)
Continuing operations			
Revenue	816,622	213,620	247,420
Profit (Loss) before taxation	59,300	(18,576)	(79,027)
Taxation (charge) credit	(5,939)	2,999	(350)
Profit (Loss) for the year from continuing operations	53,361	(15,577)	(79,377)
Discontinued operation			
Loss for the period/year from discontinued operation	–	(11,482)	(82,617)
Profit (Loss) for the year	53,361	(27,059)	(161,994)
Attributable to:			
Equity holders of the Company	32,057	(37,022)	(143,954)
Minority interests	21,304	9,963	(18,040)
	53,361	(27,059)	(161,994)
Profit (Loss) per share			
From continuing and discontinued operations:			
– Basic	HK$0.07	HK$(0.08)	HK$(0.37)
From continuing operations:			
– Basic	HK$0.07	HK$(0.06)	HK$(0.23)

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

Consolidated Assets and Liabilities

	As at 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
Total assets	2,309,371	1,265,224	1,534,878
Total liabilities	(1,742,040)	(901,143)	(1,146,776)
Net assets	567,331	364,081	388,102

B. FINANCIAL INFORMATION FOR THE TWO YEARS ENDED 31 DECEMBER 2006

The following financial information is extracted from the audited consolidated financial statements of the Group for each of the two years ended 31 December 2006.

Consolidated Income Statement
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Revenue	*6*	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	*8*	(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	*9*	(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	*21*	14,374	(26,728)
Gain on disposal of associates	*21*	71,100	–
Impairment loss recognised in respect of property and equipment	*16*	(5,951)	–
Impairment loss recognised in respect of available-for-sale investments	*19*	–	(10,800)
Profit (Loss) before taxation	*12*	59,300	(18,576)
Taxation (charge) credit	*13*	(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	*14*	–	(11,482)
Profit (Loss) for the year		53,361	(27,059)

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
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	*15*		
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
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property and equipment	16	98,750	12,802
Prepaid lease payments	17	16,378	–
Investment property	18	5,000	–
Available-for-sale investments	19	33,392	–
Goodwill	20	212,027	17,426
Interests in associates	21	–	103,870
Intangible assets	22	68,712	11,261
Other assets	24	16,241	7,564
Loan receivables	25	656	725
Deposit for acquisition of subsidiaries	26	–	56,095
Deferred tax assets	13	1,575	3,940
		452,731	213,683
Current assets			
Inventories	27	49,624	–
Account receivables	28	782,181	469,772
Loan receivables	25	19,275	38,460
Prepayments, deposits and other receivables		58,454	19,580
Receivable for disposal of an associate	21	76,187	–
Amounts due from associates		373	–
Listed investments held for trading	29	49,325	35,467
Derivative financial instrument	30	–	16
Bank deposits under conditions	31	78,075	17,125
Bank balances – trust and segregated accounts	32	574,577	352,902
Bank balances (general accounts) and cash	32	168,569	118,219
		1,856,640	1,051,541

	Notes	2006 HK$'000	2005 HK$'000
Current liabilities			
Account payables	*33*	1,071,830	581,965
Deferred revenue		8,027	–
Accrued liabilities and other payables		109,467	35,801
Payable for acquisition of subsidiaries	*38(iii)*	100,590	–
Taxation payable		4,869	1,525
Obligations under finance leases – amount due within one year	*34*	756	150
Borrowings – amount due within one year	*35*	405,189	171,737
Convertible loan note – amount due within one year	*36*	–	30,242
		1,700,728	821,420
Net current assets		155,912	230,121
		608,643	443,804
Capital and reserves			
Share capital	*37*	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	*13*	8,494	–
Obligations under finance leases – amount due after one year	*34*	541	159
Borrowings – amount due after one year	*35*	32,277	79,564
		41,312	79,723
		608,643	443,804

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

		Attributable to equity holders of the Company													
	Notes	Share capital *HK$'000*	Share premium *HK$'000* *(note h)*	Con-tributed surplus *HK$'000* *(notes i & j)*	General reserve *HK$'000* *(note k)*	Other reserve *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Acc-umulated (losses) profits *HK$'000*	Total *HK$'000*	Equity component of convertible loan note of a listed subsidiary *HK$'000*	Share option reserve of a listed subsidiary *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2005, as restated		43,748	295,177	16,724	1,160	12,314	–	–	–	(148,606)	220,517	771	680	166,086	388,054
Loss for the year, representing total recognised loss for the year		–	–	–	–	–	–	–	–	(37,022)	(37,022)	–	–	9,963	(27,059)
Recognition of employee share option benefits		–	–	–	–	–	–	–	–	–	–	–	203	–	203
Arising from partial repayment of convertible loan note of a subsidiary	*a(i)*	–	–	–	–	–	–	–	–	(151)	(151)	(190)	–	–	(341)
Amount transferred from share premium to contributed surplus	*b*	–	(195,665)	195,665	–	–	–	–	–	–	–	–	–	–	–
Amount transferred to set off accumulated losses	*c*	–	–	(195,665)	–	–	–	–	–	195,665	–	–	–	–	–
2004 final dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(3,677)	(3,677)
Issue of new shares by subsidiary	*d(i), (ii), (iii)*	–	–	–	–	–	–	–	–	–	–	–	–	53,244	53,244
Issue of new shares by subsidiary	*e*	–	–	–	–	–	–	–	–	–	–	–	–	(46,343)	(46,343)
At 31 December 2005 and 1 January 2006		43,748	99,512	16,724	1,160	12,314	–	–	–	9,886	183,344	581	883	179,273	364,081
Exchange difference arising from translation of foreign operations representing net expenses recognised directly in equity		–	–	–	–	–	(288)	–	–	–	(288)	–	–	–	(288)
Revaluation increase on acquisition of additional interests in an associate and income recognised directly in equity *(note 38(iii))*		–	–	–	–	–	–	–	15,564	–	15,564	–	–	–	15,564
Fair value changes on available-for-sale investments recognised directly in equity		–	–	–	–	–	–	–	14,095	–	14,095	–	–	–	14,095
Profit for the year		–	–	–	–	–	–	–	–	32,057	32,057	–	–	21,304	53,361
Total recognised income and expense for the year		–	–	–	–	–	(288)	–	29,659	32,057	61,428	–	–	21,304	82,732
Recognition of employee share option benefits		–	–	–	–	–	–	422	–	–	422	–	1,613	–	2,035
Arising from conversion of convertible loan note of a subsidiary	*g(ii)*	–	–	–	–	–	–	–	–	–	–	(308)	–	–	(308)
Arising from early repayment of convertible loan note of a subsidiary	*a(ii)*	–	–	–	–	–	–	–	–	–	–	(273)	–	–	(273)
2006 interim dividend paid by subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	(22,298)	(22,298)
Issue of new shares due to rights issue	*f*	21,875	39,373	–	–	–	–	–	–	–	61,248	–	–	–	61,248
Issue of new shares by subsidiary	*g*	–	–	–	–	–	–	–	–	–	–	–	–	79,212	79,212
Arising from acquisition of subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	2,389	2,389
Transaction costs attributable to issue of new shares		–	(1,487)	–	–	–	–	–	–	–	(1,487)	–	–	–	(1,487)
At 31 December 2006		65,623	137,398	16,724	1,160	12,314	(288)	422	29,659	41,943	304,955	–	2,496	259,880	567,331

Notes:

(a) (i) During the year ended 31 December 2005, CASH Financial Services Group Limited ("CFSG"), a listed subsidiary of the Company, made partial repayment of the convertible loan note issued on 1 September 2004 amounting to HK$10,000,000. The consideration of HK$10,000,000 was allocated into liability component and equity component. An equity component of approximately HK$190,000 was released from the convertible loan note equity reserve.

(ii) During the year ended 31 December 2006, CFSG has made full repayment of the convertible loan note issued on 1 September 2004 that remained outstanding in June 2006 amounting to HK$8,000,000 and HK$6,300,000 on 1 June 2006 and 28 June 2006 respectively. The consideration of HK$14,300,000 was allocated into liability component and equity component. An equity component of approximately HK$273,000 was released from the convertible loan note equity reserve.

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

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

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

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

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

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

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

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

(f) On 16 November 2006, 218,741,913 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.28 per share. These shares rank pari passu in all respects with other shares in issue.

(g) (i) On 10 January 2006, 155,000,000 shares of HK$0.10 each of CFSG in CFSG were issued to independent third parties at a price of HK$0.40 per a CFSG's share, resulting the issue of 155,000,000 CFSG's shares of HK$0.10 each.

(ii) On 18 January 2006, convertible loan note issued by CFSG amounting to HK$16,200,000 was converted into 60,000,000 shares of CFSG at a conversion price of HK$0.27 per share.

(iii) In January 2006, 1,170,000 share options were exercised at an exercise price of HK$0.34 per a CFSG's per share, resulting in the issue of 1,170,000 CFSG's shares of HK$0.10 each.

(iv) In November 2006, 1,000,000 share options in CFSG were exercised at an exercise price of HK$0.296 per a CFSG's share, resulting in the issue of 1,000,000 CFSG's shares of HK$0.10 each.

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

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

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

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

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

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

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

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	Note	**2006** *HK$'000*	**2005** *HK$'000*
Operating activities			
Profit (Loss) before taxation		59,300	(30,058)
Adjustments for:			
Convertible loan note settlement (income) expense		(291)	85
Advertising and telecommunication services expenses	*39(a)*	5,393	–
Allowance for bad and doubtful debts (reversal of allowance)		2,876	(702)
Amortisation of intangible assets		4,131	–
Amortisation of prepaid lease payments		207	186
Depreciation of property and equipment		25,252	21,675
Employee share option benefits		2,035	203
Loss on deemed disposal of CRMG		–	974
Loss on disposal on intangible assets		199	–
Allowance for inventory obsolescence and write-off of inventories		3,544	–
Dividends from investments		(471)	(143)
Loss (Gain) on dilution of shareholding in subsidiaries and associates		4,182	(16,289)
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
Interest expenses		63,500	19,240
Loss (Gain) on disposal of property and equipment		2,331	(6,773)
Decrease (Increase) in fair value of derivative financial instrument		16	(64)
Share of (profit) loss of associates		(14,374)	26,728
Operating cashflow before movements in working capital		92,681	25,862
Decrease in inventories		9,424	–
Increase in account receivables		(307,574)	(106,777)
Decrease in loan receivables		19,052	1,670
Decrease (Increase) in prepayments, deposits and other receivables		11,837	(3,822)
Increase in amounts due from associates		(373)	–
(Increase) Decrease in listed investments held for trading		(11,725)	10,150
(Increase) Decrease in bank balances – trust and segregated accounts		(221,675)	80,254
Increase (Decrease) in account payables		331,051	(34,941)
Increase in deferred revenue		8,027	–
Increase (Decrease) in accrued liabilities and other payables		18,221	(41,098)

	Note	2006 HK$'000	2005 HK$'000
Cash used in operations		(51,054)	(68,702)
Income taxes paid		(1,045)	–
Dividends received		471	143
Net cash used in operating activities		(51,628)	(68,559)
Investing activities			
Deposit payment for acquisition of online game business by CFSG		–	(56,095)
Acquisition of subsidiaries	*38*	(44,053)	–
Proceeds from disposal of an associate	*21*	60,000	–
Increase in bank deposits under conditions		(16,550)	(343)
Proceeds from disposal of property and equipment		616	43,279
Purchase of property and equipment		(29,766)	(7,539)
Statutory and other deposits paid		(8,677)	(947)
Purchase of intangible assets		(1,931)	–
Net cash used in investing activities		(40,361)	(21,645)
Financing activities			
Increase in borrowings		62,548	–
Repayment of borrowings		–	116,805
Increase (Decrease) in bank overdrafts		59,610	(10,373)
New obligations under finance leases		967	–
Repayments of obligations under finance leases		(149)	(221)
Repayments of convertible loan note		(14,300)	(10,000)
Proceeds on issue of shares		61,248	–
Proceeds on issue of shares to minority interests		63,012	–
Contributions from minority shareholders		–	62,230
Dividend paid to minority shareholders by CFSG		(22,298)	(3,677)
Interest paid on obligations under finance leases		(108)	(15)
Share issue expenses		(1,487)	(300)
Interest paid on convertible loan note		(212)	(1,067)
Interest paid on bank and other loans		(63,212)	(17,874)
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		(3,319)	(163,232)
Net cash from (used in) financing activities		142,300	(27,724)
Net increase (decrease) in cash and cash equivalents		50,311	(117,928)
Cash and cash equivalents at beginning of year		118,219	236,147
Effect of foreign exchange rate changes		39	–
Cash and cash equivalents at end of year		168,569	118,219
Being:			
Bank balances (general accounts) and cash		168,569	118,219

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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 consolidated 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 47.

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

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 Hong Kong Institute of Certified Public Accountants ("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.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of subsidiaries 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 values of the identifiable assets and liabilities of the relevant subsidiaries 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.

Goodwill arising on acquisition on or after 1 January 2005

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

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

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

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

Investment in an associate

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

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the 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.

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Trading investments such as securities, futures and options are accounted for under HKAS 39 as financial assets held for trading and the net increase or decrease in fair value are accounted for on a trade date basis and recognised directly in net profit or loss.

Commission income for broking business is recorded as income on a trade date basis.

Underwriting commission income, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed.

Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Online game income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue.

Sales of online game auxiliary products are recognised when products are delivered and title has passed.

Licensing fee income is recognised on a straight-line basis over the licensing period.

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

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

Property and equipment

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Investment property

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

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

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the 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 the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

Retirement benefit costs

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

Borrowing costs

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

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

Research and development expenditures

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

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

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

Impairment

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

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

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

Inventories

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

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, such 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.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as loans and receivables, financial assets at fair value through profit or loss and held-to-maturity investments. 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 to profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss 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 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, 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.

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, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

Convertible loan note issued by the subsidiary of the Company that contain early redemption option, financial liability and equity components are classified separately into respective early redemption option derivative, liability and equity components on initial recognition. On initial recognition, the early redemption option derivative and 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. 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 for early redemption right 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 of the Company, will remain in convertible loan note equity reserve until the option is exercised (in which case the balance stated in equity component of convertible loan notes of a listed subsidiary 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 accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

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

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 expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates, if any, is recognised in profit or loss with a corresponding adjustment to share option 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 forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. The Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 January 2005, accordingly, no amount has been recognised in the financial statements in respect of these equity-settled shared-based transactions.

4. Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK$1,575,000 was 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$452,956,000. 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.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of goodwill is approximately HK$212,027,000. Details of the recoverable amount calculation are disclosed in note 23.

Determining whether intangible asset relating to online game related intellectual property is impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the online game related intellectual property and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of online game related intellectual property is approximately HK$12,292,000. Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. As at 31 December 2006, the carrying amount of the domain name is approximately HK$5,460,000. Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to trademarks is impaired requires an estimation of the value in use of the trademarks. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the trademark and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of trademarks approximately HK$38,000,000. Details of the recoverable amount calculation are disclosed in note 22.

5. 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. 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.

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.

6. Revenue

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

	2006	**2005**
	HK$'000	*HK$'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 the option shares of 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. The financial impact of CRMG on the Group's results and cash flows is disclosed in note 14 to the consolidated financial statements.

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 (note 38(iii)), as a result, the financial results of the retail business is consolidated to the Group's results in current year.

7. 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, as mentioned in note 38. 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 6.

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	Online game services	Retailing	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	Online game services	Retailing	Investment holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	Online game services	Retailing	Investment holding	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Investment holding	Others	Total	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	Investment holding	Consolidated
	HK$'000	*HK$'000*	*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	Investment holding	Others	Total	Retailing	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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 PRC and Taiwan and the relevant revenue for the year ended 31 December 2006 are derived mainly from PRC and Taiwan.

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

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

8. Salaries, allowances and commission

	Continuing operations		Discontinued operation		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:						
Salaries, allowances and commission	220,045	120,478	–	38,207	220,045	158,685
Contributions to retirement benefits schemes	6,289	3,289	–	1,222	6,289	4,511
Employee share option benefits	2,035	203	–	–	2,035	203
	228,369	123,970	–	39,429	228,369	163,399

9. Finance costs

	Continuing operations		Discontinued operation		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:						
Bank overdrafts, bank loans and other borrowings wholly repayable within five years	63,212	15,618	–	2,256	63,212	17,874
Finance leases	108	15	–	–	108	15
Effective interest expense on convertible loan note	180	1,351	–	–	180	1,351
	63,500	16,984	–	2,256	63,500	19,240

10. Directors' remuneration

The remuneration paid or payable to each of the nine (2005: ten) 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	Chan Hak Sin	Leung Ka Kui Johnny	Wong Chuk Yan	Lin Che Chu George	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006										
Fees:										
Executive Directors	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	100	100	–	–	200
Other remuneration paid to Executive Directors:										
Salaries, allowances and benefits in kind	840	720	1,290	371	324	–	–	–	120	3,665
Performance related incentive payments	3,526	–	1,000	224	160	–	–	–	–	4,910
Employee share option benefits	143	143	143	–	–	53	–	–	53	535
Contributions to retirement benefit scheme	42	36	66	13	22	–	–	–	–	179
Total remuneration	4,551	899	2,499	608	506	153	100	–	173	9,489

	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	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 benefit scheme	12	36	58	17	44	62	–	–	–	–	229
Total remuneration	3,795	773	1,235	692	931	1,423	–	100	100	–	9,049

During the year ended 31 December 2006, Ms Kwok Oi Kuen Joan Elmond resigned as an Executive Director.

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

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.

11. Employees' remuneration

Of the five individuals with the highest emoluments in the Group, two (2005: two) were Directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,920	4,286
Contributions to retirement benefit scheme	156	122
Performance related incentive payments	4,124	102
Employee share option benefits	–	12
	7,200	4,522

Their remuneration were within the following band:

	2006	**2005**
	Number of Employees	*Number of Employees*
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	2	1
HK$3,500,001 to HK$4,000,000	1	–

12. Profit (loss) before taxation

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit (Loss) before taxation has been arrived at after charging (crediting):						
Advertising and promotion expenses	39,250	6,051	–	10,218	39,250	16,269
Allowance for inventory obsolescence and write-off of inventories (included in cost of sales for retailing business)	3,544	–	–	–	3,544	–
Amortisation of intangible assets	4,131	–	–	–	4,131	–
Amortisation of prepaid lease payments	207	186	–	–	207	186
Auditors' remuneration	3,500	2,622	–	–	3,500	2,622
Consultancy fees	9,783	–	–	–	9,783	–
Depreciation of property and equipment	25,252	11,656	–	10,019	25,252	21,675
Loss (Gain) on disposal of property and equipment	2,331	(43)	–	(6,730)	2,331	(6,773)
Cost of inventories recognised as an expense	277,100	–	–	248,565	277,100	248,565
Share of tax of an associate (included in share of results of associates)	4,614	–	–	–	4,614	–
Operating lease rentals in respect of land and buildings:						
Minimum lease payments	71,543	16,888	–	44,956	71,543	61,844
Contingent rents *(note)*	1,562	–	–	2,414	1,562	2,414
	73,105	16,888	–	47,370	73,105	64,258
Net foreign exchange (gain) loss	(166)	643	–	–	(166)	643
Dividends from investments	(471)	(143)	–	–	(471)	(143)

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

13. Taxation (charge) credit

	Continuing operations		Discontinued operation		Consolidated	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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.

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

	2006	**2005**
	HK$'000	*HK$'000*
Profit (Loss) before taxation:		
Continuing operations	59,300	(18,576)
Discontinued operation	–	(11,482)
	59,300	(30,058)

	2006	2005
	HK$'000	*HK$'000*
Taxation (charge) credit at income tax rate of 17.5%	(10,378)	5,260
Overprovision in respect of prior years	94	–
Tax effect of share of results of associates	2,515	(4,677)
Tax effect of expenses not deductible for tax purpose	(7,926)	(4,885)
Tax effect of income not taxable for tax purpose	15,703	3,923
Tax effect of estimated tax losses not recognised	(14,018)	(6,319)
Tax effect of utilisation of estimated tax losses previously not recognised	8,712	5,817
Recognition of tax losses/deferred tax assets previously not recognised	–	3,940
Effect of different tax rates of subsidiaries operating in other jurisdictions	(587)	–
Others	(54)	(60)
Taxation (charge) credit	(5,939)	2,999

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	Intangible asset	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	(4,494)	4,494	–	–
Credit to consolidated income statement	1,169	2,771	–	3,940
Eliminated on deemed disposal of CRMG	2,549	(2,549)	–	–
At 31 December 2005 and 1 January 2006	(776)	4,716	–	3,940
Deferred tax liabilities on intangible assets arising from acquisition of subsidiaries	–	–	(9,109)	(9,109)
Credit (Charge) to consolidated income statement	1,289	(3,654)	615	(1,750)
At 31 December 2006	513	1,062	(8,494)	(6,919)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006	2005
	HK$'000	*HK$'000*
Deferred tax assets	1,575	3,940
Deferred tax liabilities	(8,494)	–
	(6,919)	3,940

At the balance sheet date, the Group had estimated unused tax losses of HK$459,025,000 (2005: HK$449,585,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$6,069,000 (2005: HK$26,949,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses of HK$452,956,000 (2005: HK$401,756,000) due to the unpredictability of future profit streams.

14. 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 operation 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.

15. 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.

16. 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 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 subsidiaries	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005 and 1 January 2006	–	–	44,004	60,485	1,840	106,329
Additions	–	–	11,527	16,671	1,568	29,766
Disposals	–	–	(2,636)	(7,079)	–	(9,715)
Arising on acquisition of subsidiaries	31,000	–	27,650	31,234	448	90,332
At 31 December 2006	31,000	–	80,545	101,311	3,856	216,712
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 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 subsidiaries	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005 and 1 January 2006	–	–	36,057	56,097	1,373	93,527
Provided for the year	700	–	15,738	8,005	809	25,252
Impairment loss recognised	–	–	4,991	960	–	5,951
Eliminated on disposals	–	–	(661)	(6,107)	–	(6,768)
At 31 December 2006	700	–	56,125	58,955	2,182	117,962
NET BOOK VALUES						
At 31 December 2006	30,300	–	24,420	42,356	1,674	98,750
At 31 December 2005	–	–	7,947	4,388	467	12,802

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

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

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

The net book values of motor vehicles included an amount of HK$1,508,000 (2005: HK$389,000) in respect of assets held under finance leases.

During the year, the Directors reassessed the recoverable amount of the property and equipment of certain shops and recognised an impairment loss of approximately HK$5,951,000. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

17. Prepaid lease payments

	2006	**2005**
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	16,793	–
Analysed for reporting purposes as:		
Current asset (included in prepayments, deposits and other receivables)	415	–
Non-current asset	16,378	–
	16,793	–

The leasehold land is amortised on a straight-line basis over the remaining term of leases.

18. Investment property

	HK$'000
FAIR VALUE	
At 1 January 2005 and 31 December 2005	–
Acquired on an acquisition of a subsidiary *(note 38(iii))*	5,000
At 31 December 2006	5,000

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

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

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

19. Available-for-sale investments

Available-for-sale investments as at 31 December 2006 comprise:

	2006	**2005**
	HK$'000	*HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	33,392	–
Unlisted investments:		
Unlisted shares, at cost	10,800	10,800
Less: Impairment loss recognised	(10,800)	(10,800)
	33,392	–

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.

20. Goodwill

	HK$'000
COST	
At 1 January 2005	57,199
Deemed disposal of CRMG	(12,871)
Deemed disposal of CFSG	(566)
Transfer of goodwill of CRMG to interest in associate	(26,336)
At 1 January 2006	17,426
Arising on acquisition	195,464
Deemed disposal of CFSG	(863)
At 31 December 2006	212,027

Particulars regarding impairment testing on goodwill are disclosed in note 23.

21. Interests in associates

	2006	2005
	HK$'000	*HK$'000*
Cost of investments in associates:		
Listed in Hong Kong	–	130,598
Unlisted in Hong Kong	8	–
Share of post-acquisition losses	(8)	(26,728)
	–	103,870
Fair value of listed investments	N/A	227,640

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

Name of entity	Form of business structure	Place and date of incorporation	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
RACCA Capital Inc	Incorporated	British Virgin Islands 24 April 2006	Hong Kong	Ordinary	33	33	Dormant
RACCA Capital Limited	Incorporated	Hong Kong 17 May 2006	Hong Kong	Ordinary	33	33	Introducing agent

During the year ended 31 December 2005, included in the cost of investments in associates is goodwill of HK$23,924,000. 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 14)*	26,336
	26,336
Elimination on deemed disposal on 30 December 2005	(2,412)
At 1 January 2006	23,924
Disposal	(23,924)
At 31 December 2006	–

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

	2006	2005
	HK$'000	*HK$'000*
Total assets	1,776	952,600
Total liabilities	(3,318)	(709,058)
Net (liabilities) assets	(1,542)	243,542
Group's share of net assets of associates	–	98,878
Revenue	600	865,647
Loss for the year	(1,542)	(65,838)
Group's share of results of associates for the year	14,374	(26,728)

The Group has discontinued recognition of its share of losses of the associates. The amounts of unrecognised share of the associates extracted from the management accounts of the associates are as follows:

	2006
	HK$'000
Unrecognised share of losses of associates for the year	500
Accumulated unrecognised share of losses of associates	500

At 31 December 2005, the Group held 443,572,587 shares in CRMG, which represented 40.59% of the issued share capital of CRMG as at that date. In February 2006, the Group disposed of 54,545,000 shares in CRMG at a consideration of approximately HK$30 million to two independent third parties. In October 2006, the Group disposed of 294,965,087 shares in CRMG at a consideration of approximately HK$106 million to an independent third party (HK$30 million was received during the year ended 31 December 2006 and the remaining balance of approximately HK$76 million will be settled in April 2007). An aggregate gain of HK$71,100,000 was resulted from the above disposals. After this disposal, the Group held 94,062,500 shares in CRMG (being about 8.61% of the issued share capital of CRMG immediately after the disposal in October 2006) which was classified as available-for-sale investments in the consolidated balance sheet as at 31 December 2006.

22. Intangible assets

	Trading rights	Club membership	Others	Online game related intellectual property	Domain name	Trademarks	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2005 and 31 December 2005	9,092	1,970	199	–	–	–	11,261
Arising on acquisitions of subsidiaries *(note 38)*	–	–	–	16,390	5,460	38,000	59,850
Additions	–	1,760	–	171	–	–	1,931
Disposal	–	–	(199)	–	–	–	(199)
At 1 January 2006 and 31 December 2006	9,092	3,730	–	16,561	5,460	38,000	72,843
AMORTISATION							
At 1 January 2005, 31 December 2005 and 1 January 2006	–	–	–	–	–	–	–
Charge for the year	–	–	–	4,131	–	–	4,131
At 31 December 2006	–	–	–	4,131	–	–	4,131
NET BOOK VALUES							
At 31 December 2006	9,092	3,730	–	12,430	5,460	38,000	68,712
At 31 December 2005	9,092	1,970	199	–	–	–	11,261

Intangible assets amounting HK$9,092,000 represent trading rights in the exchanges in Hong Kong. Particulars regarding impairment testing on the trading rights are disclosed in note 23.

Intangible assets amounting to HK$3,730,000 represents club memberships.

For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. Management of the Group determines that there is no impairment of the club memberships since the recoverable amounts of the club memberships exceed their carrying amounts.

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

Intangible assets of online game related intellectual property amounting to HK$12,292,000 at 31 December 2006 represented online game development costs and licensing fee, website development costs and software technology copyrights arising from acquisition of online game business in PRC as mentioned in note 38(i). These intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over four years.

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

Intangible assets amounting to HK$5,460,000 represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 38(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2006 was supported by a valuation carried out at that day by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

Intangible assets of trademarks amounting to HK$38,000,000 represent the perpetual right for the use of the brand name "Pricerite" and "3C" which takes the form of sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business as mentioned in note 38(iii). These trademarks are considered by management of the Group as having an indefinite useful life. Particulars regarding impairment testing on trademarks is disclosed in note 23.

23. Impairment testings on goodwill, trading rights and trademarks

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill, trading rights and trademarks set out in notes 20 and 22 respectively have been allocated to the following cash generating units ("CGUs") respectively. The carrying amounts of goodwill, trading rights and trademarks as at 31 December 2006 allocated to these units are as follows:

	Goodwill	Trading rights	Trademarks
	HK$'000	*HK$'000*	*HK$'000*
Financial services	16,563	9,092	–
Online game services	109,945	–	–
Retailing business	85,519	–	38,000
	212,027	9,092	38,000

Goodwill, trading rights and trademarks are considered by management of the Group as having indefinite useful life because they are expected to be used indefinitely. Management of the Group consider cashflow projections which was prepared based on financial budgets covering respective period of goodwill, trading rights and trademarks could determine that there was no impairment of any of its CGUs containing goodwill, trading rights or trademarks as at 31 December 2006.

The recoverable amounts of the CGUs of financial services have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 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. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the CGU's past performance and management's expectations for the market development. There is no impairment of goodwill since the recoverable amount of the above CGU exceeds its carrying value.

The recoverable amounts of the CGUs of retailing business have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period and discount rate of 16.4%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs. The value in use of trademarks at 31 December 2006 was supported by a valuation carried out at that day by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of trademarks since the recoverable amount of the trademarks exceeds its carrying value.

24. Other assets

	2006	2005
	HK$'000	*HK$'000*
Statutory and other deposits	16,241	7,564

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

25. Loan receivables

	2006	2005
	HK$'000	*HK$'000*
Fixed-rate loan receivables	601	637
Variable-rate loan receivables	45,900	76,684
	46,501	77,321
Less: Allowance for bad and doubtful debts	(26,570)	(38,136)
	19,931	39,185
Carrying amount analysed for reporting purposes:		
Non-current assets (receivable after one year from the balance sheet date)	656	725
Current assets (receivable within one year from the balance sheet date)	19,275	38,460
	19,931	39,185

All the loan receivables are denominated in Hong Kong dollars.

Loan receivables with an aggregate carrying value of approximately HK$4,968,000 (2005: HK$25,756,000) are secured by pledged marketable securities.

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	48	34
More than one year but not exceeding two years	48	34
More than two years but not exceeding five years	144	153
More than five years	361	416
	601	637

The effective interest rate (which is equal to contractual interest rate) on the Group's fixed rate loan receivables is 2% (2005: 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:

	2006	**2005**
	HK\$'000	*HK\$'000*
Within one year	19,227	38,426
In more than one year but not more than two years	23	23
In more than two years but not more than five years	80	79
In more than five years	–	20
	19,330	38,548

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

26. Deposit for acquisition of subsidiaries

Pursuant to the circular of CFSG dated 30 November 2005, CFSG underwent several fund raising transactions and a major acquisition of Netfield Technology Limited and its subsidiaries (hereinafter collectively referred to as the "Netfield Group").

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

This acquisition was completed on 10 January 2006.

27. Inventories

	2006	**2005**
	HK\$'000	*HK\$'000*
Finished goods held for sale	48,950	–
Consumables for online game auxiliary products	674	–
	49,624	–

28. 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 ("Cash Guardian")	–	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

29. Listed investments held for trading

Listed investments held for trading included:

	2006	**2005**
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	49,325	35,467

30. Derivative financial instrument

	2006	**2005**
	HK$'000	*HK$'000*
Interest rate swap	–	16

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

31. Bank deposits under conditions

	2006	**2005**
	HK$'000	*HK$'000*
Other bank deposits *(note (a))*	16,685	16,207
Pledged bank deposits *(note (b))*	61,390	918
	78,075	17,125

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

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

(b) The Group's bank deposits of HK$61,390,000 (2005: HK$918,000) are pledged to secure the general banking facilities granted by banks.

32. Bank balances

Bank balances – trust and segregated accounts

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

Bank balances (general accounts) and cash

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

33. 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	–

34. Obligations under finance leases

The Group leases certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.95% to 6%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases				
Within one year	824	164	756	150
In more than one year but not more than two years	555	177	541	159
	1,379	341	1,297	309
Less: Future finance charges	(82)	(32)	–	–
Present value of lease obligations	1,297	309	1,297	309
Less: Amount due for settlement within one year (shown under current liabilities)			(756)	(150)
Amount due for settlement after one year			541	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.

35. Borrowings

	2006	**2005**
	HK$'000	*HK$'000*
Secured bank borrowings:		
Bank overdrafts	89,347	29,737
Bank loans	200,922	142,000
Trust receipt loans	74,989	–
	365,258	171,737
Unsecured other borrowings	72,208	79,564
	437,466	251,301

The maturity profile of the above borrowings is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
On demand or within one year	405,189	171,737
More than one year but not exceeding two years	32,277	–
More than two years but not exceeding five years	–	79,564
	437,466	251,301
Less: Amount due within one year shown under current liabilities	(405,189)	(171,737)
Amount due after one year	32,277	79,564

These borrowings are used to finance the financing business and retail business of the Group.

At 31 December 2006, borrowings of HK$362,837,000 (2005: HK$171,737,000) were secured by:

(a) corporate guarantees from the Company and a subsidiary;

(b) marketable securities of the Group's clients (with client's consent is used to finance the financing business of the Group only);

(c) pledged bank deposits; and

(d) pledge of the Group's certain building and prepared lease payments.

The bank loan amounting to HK$2,421,000 as at 31 December 2006 was guaranteed by a director of a subsidiary, 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (note 31).

Bank overdrafts amounting to HK$89,347,000 (2005: HK$29,737,000) carry interest at either Hong Kong Interbank Offered Rate ("HIBOR") plus a spread or prime rate plus a spread. Bank loans amounting to HK$188,000,000 (2005: HK$142,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or prime rate plus a spread. In addition, bank loans amounting to HK$2,421,000 and HK$10,501,000 (2005: nil) are at fixed rate of 6% and 5.75% respectively. The fixed-rate borrowing amounting to HK$2,421,000 is denominated in New Taiwan dollars, a currency other than its functional currency of Hong Kong dollars. Trust receipt loans amounting to HK$74,989,000 (2005: nil) carry interest at prime rate plus a spread. The unsecured other borrowings amounting to HK$21,208,000 (2005: HK$79,564,000) carry interest at prime rate plus 3% per annum and the remaining HK$51,000,000 unsecured other borrowing is non-interest bearing and repayable on demand.

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

As at the balance sheet date, the Group had undrawn borrowing facility amounting to HK$1,669,164,000 (2005: HK$677,500,000) with floating rate and expiring within one year.

36. Convertible loan note

Convertible loan note issued by CFSG

CFSG issued convertible loan note amounting to HK$40,500,000 to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party as at the date of issuance, on 1 September 2004. It bore interest at a rate of 3% per annum and would mature on 31 December 2006 or any other date mutually agreed between CFSG and ARTAR. The holder of the note did not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and was not entitled to vote at general meetings of CFSG. CFSG had the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The note was transferable to persons who 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 ended 31 December 2005, 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 per share.

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

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

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

	2006	2005
	HK$'000	*HK$'000*
Liability component at the beginning of the year	30,242	39,834
Interest paid	59	284
Conversion to ordinary shares of CFSG	(16,062)	–
Early partial repayment	(14,239)	(9,876)
Liability at the end of the year	–	30,242

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 2006, a partial repayment of HK$14,300,000 (2005: HK$10,000,000) was made and a corresponding settlement income of HK$291,000 (2005: expenses of HK$85,000) was recognised in the income statement directly.

37. Share capital

	Notes	Number of shares	Amount
		'000	*HK$'000*
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2005, 31 December 2005 and 31 December 2006		1,000,000	100,000
Issued and fully paid:			
At 1 January 2005 and 31 December 2005		437,484	43,748
Issue of shares due to rights issue	*(a)*	218,742	21,875
At 31 December 2006		656,226	65,623

Note:

(a) On 17 November 2006, 218,741,913 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.28 per share. These shares rank pari passu in all respects with other shares in issue.

38. Acquisition of subsidiaries

(i) Netfield Group

On 10 January 2006, the Group acquired 100% of the equity interest of Netfield Technology Limited from an independent third party with an aggregate consideration of approximately HK$116,484,000. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were HK$102,491,000 and HK$16,390,000 respectively.

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED:			
Property and equipment	2,615	–	2,615
Prepayments, deposits and other receivables	1,496	–	1,496
Bank balances and cash	2,300	–	2,300
Accrued liabilities and other payables	(6,349)	–	(6,349)
Amount due to a shareholder	(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property	–	16,390	16,390
Deferred tax liabilities	–	(2,459)	(2,459)
	(24,632)	13,931	(10,701)
Amount due to a shareholder assigned to the Group			24,694
Goodwill			102,491
			116,484
SATISFIED BY:			
Deposit paid *(note 26)*			56,095
Cash			60,389
			116,484
NET CASH OUTFLOW ARISING ON ACQUISITION:			
Cash consideration			(60,389)
Bank balances and cash acquired			2,300
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(58,089)

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

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

(ii) Acquisition of New Dragon Investments Limited and its subsidiary ("New Dragon Group")

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

	Acquiree's carrying amount and fair value before combination *HK$'000*
NET ASSETS ACQUIRED:	
Property and equipment	6,554
Domain name	5,460
Inventories	325
Account receivables	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Account payables	(12,276)
Accrued liabilities and other payables	(11,378)
Obligations under finance lease	(170)
Amount due to shareholder	(5,014)
	1,421
Minority interests	(2,389)
Amount due to shareholder assigned to the Group	5,014
Goodwill	7,454
Cash payment (include related costs of the acquisition)	11,500
SATISFIED BY:	
Cash	9,000
Related costs of the acquisition	2,500
	11,500
NET CASH OUTFLOW ARISING ON ACQUISITION:	
Total cash payment	(11,500)
Bank balances and cash acquired	5,182
	(6,318)

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

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

(iii) CASH Retail Management (HK) Limited and its subsidiaries ("Retail Group")

On 20 February 2006, the Group signed a sale and purchase agreement to acquire 100% of the issued share capital of CASH Retail Management (HK) Limited. This acquisition was completed on 30 June 2006. Prior to the acquisition, the Group indirectly held 35.61% equity interest of Retail Group through CRMG. Following the acquisition, the Retail Group has become a wholly-owned subsidiary of the Company. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were approximately HK$69,955,000 and HK$38,000,000 respectively.

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
NET ASSETS ACQUIRED:			
Property and equipment	81,163	–	81,163
Prepaid lease payment	4,643	12,357	17,000
Investment property	5,000	–	5,000
Inventories	62,267	–	62,267
Account receivables	1,746	–	1,746
Other receivables, deposits and prepayments	47,218	–	47,218
Listed investments held for trading	2,133	–	2,133
Pledged bank deposits	44,400	–	44,400
Bank balances and cash	50,354	–	50,354
Account payables	(146,538)	–	(146,538)
Accrued liabilities and other payables	(37,718)	–	(37,718)
Taxation payable	(200)	–	(200)
Bank borrowings	(64,007)	–	(64,007)
Intangible assets in relation to trademarks	–	38,000	38,000
Deferred tax liabilities	–	(6,650)	(6,650)
	50,461	43,707	94,168

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
The Group's share of net assets of the Retail Group at 30 June 2006			(17,969)
Fair value adjustment attributable to the Group's 35.61% interest in the Retail Group credited to revaluation reserve			(15,564)
Goodwill			69,955
Consideration			130,590
SATISFIED BY:			
Cash *(note)*			130,590
NET CASH INFLOW ARISING ON ACQUISITION:			
Cash paid			(30,000)
Bank balances and cash acquired			50,354
			20,354

Note: The final consideration for this acquisition was HK$130,590,000. HK$30,000,000 was settled by cash payment during the year and the remaining balance of HK$100,590,000 will be settled on or before 30 June 2007.

The goodwill arising on acquisition is attributable to the anticipated profitability of the retail business in Hong Kong.

Acquisition of the Retail Group contributed approximately HK$433,272,000 to the Group's revenue, and HK$25,898,000 loss to the Group's result for the period since acquisition to 31 December 2006.

If the acquisition discussed in (i) to (iii) above had been completed on 1 January 2006, the Group's total revenue for the year would have been approximately HK$1,258,428,000, and loss for the year would have been approximately HK$33,506,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

39. Major non-cash transactions

(a) Pursuant to the 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 utilised approximately HK$5,393,000 (2005: nil) advertising and telecommunication services.

(b) During the year ended 31 December 2006, the principal amount of convertible loan note of HK$16,200,000 was converted into 60,000,000 shares of HK$0.10 each of CFSG at a conversion price of HK$0.27 each.

40. 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 approximately 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.

41. 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:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	109,574	16,643
In the second to fifth year inclusive	92,386	20,901
Over five years	756	–
	202,716	37,544

Operating lease payments represent rental payable 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 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 when the sales meets certain specified level.

42. Share option schemes

(A) Share option scheme of the Company

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The major terms of the Share 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"); or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

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

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 43,748,382 shares, representing 6.7% 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 share options granted and yet to be exercised under the Share 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 share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the share options cancelled) under any share option granted to the same participant under the Share 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 share option for a certain period before exercising the share option save as determined by the Board of Directors and provided in the offer of grant of share 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 share option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of a share 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 a share option must be the highest of:

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

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

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

Name of scheme	Date of grant	Exercise price per share *HK$*	Exercise period	Number of share options: outstanding as at 1.1.2005 *(Note (1))*	lapsed in 2005	outstanding as at 31.12.2005 and 1.1.2006 *(Note (2))*	granted in 2006	outstanding as at 31.12.2006
Directors								
Share Option Scheme	2.12.2003	0.502	2.12.2003 – 30.11.2005	15,000,000	(15,000,000)	–	–	–
	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	–	–	16,000,000	16,000,000
				15,000,000	(15,000,000)	–	16,000,000	16,000,000
Employees								
Share Option Scheme	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	–	–	16,000,000	16,000,000
				15,000,000	(15,000,000)	–	32,000,000	32,000,000

Notes:

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

(2) The closing price of the share immediately before the date of grant on 13 November 2006 was HK0.330. The share options are fully vested on the grant date.

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

The exercise in full of the outstanding 32,000,000 share options at 31 December 2006 would, under the present capital structure of the Company, result in the issue of 32,000,000 additional shares of the Company for a total cash consideration, before expenses, of approximately HK$10,336,000.

During the year ended 31 December 2006, share options were granted on 13 November 2006 and are fully vested on the same date. The estimated fair value of the options granted on that date was HK$422,000.

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

Weighted average share price	HK$0.330
Exercise price	HK$0.323
Expected volatility	67%
Expected life	2 years
Risk-free rate	4.59%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 trading days.

The Group recognised the total expenses of approximately HK$422,000 (2005: nil) for the year ended 31 December 2006 in relation to share options granted by the Company.

(B) Share option scheme of CFSG

The CFSG's share option scheme ("CFSG Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the CFSG Share 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; or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

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

(iii) The maximum number of shares in respect of which share options might be granted under the CFSG Share Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG Share 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 share options granted and yet to be exercised under the CFSG Share 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 share 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 share option granted to the same participant under the CFSG Share 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 share option for a certain period before exercising the share option save as determined by the Board of Directors of CFSG and provided in the offer of grant of share option.

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

(vii) The acceptance of a share 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 a share option must be the highest of:

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

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

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

					Number of share options								
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	*Notes*	outstanding as at 1.1.2005	granted in 2005 *(Note (4))*	exercised in 2005 *(Note (3))*	lapsed in 2005 *(Note (6))*	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006 *(Note (5))*	lapsed in 2006 *(Note (6))*	exercised in 2006 *(Note (3))*	outstanding as at 31.12.2006
Directors													
CFSG Share Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005	*(1)*	22,295,000	–	–	(22,295,000)	–	–	–	–	–
	6.10.2005	0.380	6.10.2005-31.10.2006		–	38,700,000	–	–	38,700,000	–	(38,700,000)	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	–	–	–	–	31,800,000	–	–	31,800,000
					22,295,000	38,700,000	–	(22,295,000)	38,700,000	31,800,000	(38,700,000)	–	31,800,000
Employees													
CFSG Share Option Scheme	2.12.2003	0.340	1.6.2004-31.5.2006	*(1)*	21,190,000	–	(13,325,000)	(2,795,000)	5,070,000	–	(3,900,000)	(1,170,000)	–
	6.10.2005	0.380	6.10.2005-31.10.2006		–	36,300,000	–	–	36,300,000	–	(36,300,000)	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	–	–	–	–	69,500,000	–	(1,000,000)	68,500,000
	7.7.2006	0.296	7.7.2006-31.7.2010		–	–	–	–	–	6,000,000	–	–	6,000,000
					21,190,000	36,300,000	(13,325,000)	(2,795,000)	41,370,000	75,500,000	(40,200,000)	(2,170,000)	74,500,000
					43,485,000	75,000,000	(13,325,000)	(25,090,000)	80,070,000	107,300,000	(78,900,000)	(2,170,000)	106,300,000

Notes:

(1) The share 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.

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

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

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

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

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

(5) The closing price of the share of CFSG immediately before the date of grant on 7 July 2006 was HK$0.29.

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

(7) No share option was cancelled during the year.

The exercise in full of the outstanding 106,300,000 share options of CFSG at 31 December 2006 would, under the present capital structure of CFSG, result in the issue of 106,300,000 additional shares of CFSG for a total cash consideration, before expenses, of approximately HK$31,464,800.

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

During the year ended 31 December 2005, share options were granted on 6 October 2005 and are fully vested on the same date. The estimated fair values of the share options granted on that date are HK$162,500.

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

	Share options grant date 6 October 2005	7 July 2006
Weighted average share price	HK$0.32	HK$0.29
Exercise price	HK$0.38	HK$0.30
Expected volatility	20%	74%
Expected life	1 year	2 years
Risk-free rate	3.86%	4.59%
Expected dividend yield	3.125%	3.125%

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

The Group recognised the total expenses of approximately HK$1,613,000 (2005: HK$203,000) for the year ended 31 December 2006 in relation to share options granted by CFSG.

43. Retirement benefits schemes

The Group operates Mandatory Provident Fund Schemes ("MPF Schemes") under the rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the Group prior to completion of qualifying service period for the employer's voluntary contributions (represents contributions in excess of the mandatory requirements under the Mandatory Provident Fund Schemes Ordinance plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the MPF Schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$5,455,000 (2005: HK$5,456,000) and HK$340,000 (2005: HK$945,000) respectively for the year ended 31 December 2006.

During the year ended 31 December 2006, the Group acquired a subsidiary in Taiwan. The subsidiary operates pension plan under the Labor Pension Act ("Act"). The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. During the year ended 31 December 2006, the Group recognised pension costs of HK$88,000 (2005: nil).

The Group operates various benefits schemes for its full-time employees in PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. During the year ended 31 December 2006, the Group recognised contribution to the aforesaid benefits schemes of HK$1,086,000 (2005: nil).

44. 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

45. Related party transactions

The Group had the following significant transactions with related parties:

(a) During the year, the Group received interest from margin financing of approximately HK$1,199,000 (2005: HK$928,000) from Cash Guardian, in which Kwan Pak Hoo Bankee, a Director of the Company has a controlling interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(b) During the year ended 31 December 2006, the Group acquired the Retail Group from CRMG at a total consideration of HK$130,590,000. Details of the acquisition are set out in note 38(iii).

(c) During both years, compensation of key management personnel represented Director's remuneration which is disclosed in note 10. The Director's remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

(d) As at 31 December 2006, amount due from an entity, in which Kwan Pak Hoo Bankee has significant beneficial interest and is a Director, was nil (2005: HK$11,569,000). Details are set out in note 28.

46. Post balance sheet events

(a) Subsequent to 31 December 2006, the Group announced a connected and major transaction on 9 January 2007 for the proposed acquisition of the entire interest in Netfield Technology Limited from CFSG at a consideration ("Consideration") of the higher of HK$120 million or the valuation of the online game business operated by Netfield Technology Limited as at 31 December 2006. The Consideration was finally fixed at HK$120 million. The transaction will be subject to the approval of the independent shareholders of the Company at a special general meeting to be held on 23 April 2007.

Pursuant to the option deed dated 9 January 2007, the Company agreed to grant an option, which is subjected to certain precedent conditions, to Mr Lin Che Chu George. Under such option, Mr Lin Che Chu George has a right to require the Group to transfer such number of shares in Netfield Technology Limited as representing 10% of the entire issued share capital of Netfield Technology Limited for 10% of the Consideration.

(b) On 6 March 2007 and 12 March 2007, the Group disposed of 50,000,000 shares in CRMG (being approximately 4.19% of the then entire issued share capital of CRMG) and 44,062,500 shares in CRMG (being approximately 3.7% of the then entire issued share capital of CRMG) at a consideration of approximately HK$10.5 million and HK$9.3 million respectively to two independent third parties. The disposals will result in a loss of approximately HK$13.7 million before recognition of the cumulative fair value gain of approximately HK$14.1 million on available-for-sale investments, which was previously recognised in investment revaluation reserve. Investment revaluation reserve of HK$14.1 million will be recognised as income as a result of the aforesaid disposals of CRMG's shares. After the disposals, the Group did not hold any shareholding interest in CRMG.

47. Particulars of principal subsidiaries of the company

Name	**Place of incorporation**	**Nominal value of issued and fully paid ordinary share capital/ registered 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	HK$138,205,144	51.1*	46.22	Investment holding
CASH Asset Management Limited	Hong Kong	HK$200,000	51.1	46.22	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	51.1	46.22	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	51.1	46.22	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	51.1	46.22	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	51.1	46.22	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	51.1	46.22	Money lending

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Celestial Securities Limited	Hong Kong	HK$140,000,000	51.1	46.22	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US$1	51.1	46.22	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	HK$1,000,000	35.77**	32.35	Financial advisory consultancy
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	26.06***	23.57	Online game operator
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	51.1	46.22	Online game developer
上海摩力游數字娛樂有限公司## (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	51.1	46.22	Online game operator
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	60	60	Retailing of electrical appliances
E-Tailer Holding Limited	British Virgin Islands	US$1	100	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales
Wealthy View Investment Limited	British Virgin Islands	US$10	100	100	Investment holding
Richwell Target Limited	Hong Kong	HK$2	100	100	Property holding
生活經艷（上海）商貿有限公司# (translated at Lifeztore (Shanghai) Limited)	PRC	HK$5,000,000	100	100	Retailing of furniture and household goods

* *The Group holds a 46.22% equity interest in CFSG through CIGL. Cash Guardian, a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, holds 2.93% equity interest in CFSG. Cash Guardian has agreed that it will cast all votes at all shareholder's meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth, Directors of the Company, who have 1.25% and 0.71% equity interest and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG is accounted for a subsidiary of the Company.*

** *The Group holds a 32.35% effective interest in CASH Frederick Taylor and controls a 70.00% of voting power at general meetings of CASH Frederick Taylor through the 51.1% of voting power interest in CFSG.*

*** *The Group holds a 23.57% effective interest in 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company) and controls a 51% of voting power at general meetings of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company) through the 51.1% of voting power interest in CFSG.*

Wholly-owned foreign enterprise established in PRC.

Domestic enterprise with limited liabilities established in PRC.

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.

2. STATEMENT OF INDEBTEDNESS

Borrowing

As at 30 April 2007, the Group had total outstanding borrowings of approximately HK$580.9 million, comprising unsecured loan of HK$48.4 million payable to an independent third party on 29 September 2008, bank loans of HK$262.5 million, trust receipt loans of HK$53.4 million and bank overdrafts of HK$216.6 million. Bank loans and bank overdrafts in aggregate of HK$438.2 million was drawn to fund 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 for seeking financing. Bank loan of HK$30 million was drawn to finance initial public offering of new shares to the Group's clients. In addition, the Group has outstanding obligations under finance leases of approximately HK$0.9 million as at 30 April 2007.

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$16.7 million was held for this purpose. Moreover, bank deposits with an aggregate amount of approximately HK$64.0 million was pledged for banking facilities granted by banks to the Group. Therefore, total bank deposits under conditions were approximately HK$80.7 million as at 30 April 2007.

In addition, as at 30 April 2007, the Group's building and prepaid lease payment with a total carrying value of approximately HK$49.1 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$1.1 million was charged to secure the obligations under finance leases.

As at 30 April 2007, the Group's bank borrowings of HK$529.0 million were guaranteed by the Company and certain subsidiaries of the Group. In addition, the Group's bank borrowings of HK$1.5 million was secured by trade receivable of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company), a subsidiary of the Group. The remaining bank borrowings of approximately HK$2.0 million were guaranteed by a director of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

Contingent liabilities

As at 30 April 2007, the Group had litigations/claims as disclosed in the paragraph "Litigation" in Appendix IV to this circular.

Save as aforesaid, the Group had no other material contingent liabilities as at 30 April 2007.

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 30 April 2007.

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 30 April 2007.

3. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 31 December 2006, the Group's cash and bank balances were HK$821.2 million. Our liquidity ratio was 1.1 times on 31 December 2006. Our gearing ratio was 1.4 times on 31 December 2006.

Capital commitments

Save for the maximum consideration of HK$145.1 million to be paid by the Group under the Offers, the Group did not have any material capital commitment as at 30 April 2007.

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 30 April 2007, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internally generated funds and on the assumption that the balance of the consideration of HK$70 million for the acquisition of Netfield Technology Limited and its subsidiaries will be settled after the next twelve months from the date of this circular, the Group has sufficient working capital to satisfy its requirement for at least the next twelve months from date of this circular.

5. MATERIAL ADVERSE CHANGES

The Directors has confirmed that, at the Latest Practicable Date, there is no material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2006

The following is a summary of the financial results of the CFSG Group for each of the three years ended 31 December 2006 as extracted from the annual reports of CFSG.

	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
	(Restated)		
Revenue	239,972	213,557	383,228
Net profit/loss before taxation	21,162	23,847	46,137
Taxation (charge) credit	(350)	3,440	(5,939)
Net profit after taxation	20,812	27,287	40,198
Minority interests	424	661	254
Dividends	7,546	–	27,641
Earnings per CFSG Share attributable to CFSG Shareholders	3.2 HK cents	3.2 HK cents	2.9 HK cents
Dividends per CFSG Share attributable to CFSG Shareholders	1.0 HK cent	–	2.0 HK cents

Notes:

1. The reports of the auditors in respect of the financial statements of the CFSG Group for each of the three years ended 31 December 2006 did not contain any qualification.

2. There was no extraordinary or exceptional items during the three years ended 31 December 2006.

3. In the year ended 31 December 2005, the CFSG 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 ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the 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 CFSG 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 year ended 31 December 2005, the CFSG 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 CFSG Group has applied the relevant transitional provisions in HKFRS 3. On 1 January 2005, the CFSG Group eliminated the carrying amount of the related accumulated amortisation and impairment of approximately HK$104,512,000 with a corresponding decrease in the cost of goodwill. The CFSG Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the year ended 31 December 2005. Comparative figures for 2004 have not been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

Share-based payments

In the year ended 31 December 2005, the CFSG Group has applied HKFRS 2 Share-based payment which requires an expense to be recognised where the CFSG Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the CFSG Group is in relation to the expensing of the fair value of share options granted to CFSG Directors and employees of CFSG, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the CFSG Group did not recognise the financial effect of these share options until they were exercised. The CFSG 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 CFSG 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 CFSG Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

Financial instruments

In the year 31 December 2005, the CFSG 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:

(i) Convertible loan note

The principal impact of HKAS 32 on the CFSG Group is in relation to convertible loan note issued by CFSG that contain an early redemption option, 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 early redemption option, liability component and equity component on initial recognition. Derivative embedded in a financial instrument 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. At the date of issue, the early redemption option derivative, liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The portion relating to the derivative is charged directly to profit or loss. The issuer of a compound financial instrument has to account for these components separately. 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. 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 the Summary of the effects on application of HKFRSs below for the financial impact).

(ii) Classification and measurement of financial assets and financial liabilities

The CFSG 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.

By 31 December 2004, the CFSG Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (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 CFSG 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 CFSG Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "other investments" amounted to approximately HK$47,032,000 has been classified as "listed investments held for trading" on 1 January 2005 (see the Summary of the effects on application of HKFRSs below for the financial impact).

(iii) Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the CFSG 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. The CFSG 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.

(iv) 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 CFSG Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not qualified as hedging instruments under HKAS 39, on 1 January 2005, the CFSG 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 CFSG Group's retained earnings (see the Summary of the effects on application of HKFRSs below 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 CFSG 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 CFSG 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, the profit for the year has been increased by approximately HK$1,830,000. Comparative figures for 2004 have not been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

The effects of the changes in the accounting policies described above on the results for the years ended 31 December 2004 and 2005 are as follows:

	2005	**2004**
	HK$'000	*HK$'000*
Depreciation and amortisation		
Non-amortisation of goodwill	2,694	–
Non-amortisation of trading rights	1,830	–
Salaries, commission and related benefits		
Recognition of employee share option benefits	(203)	(219)
Finance costs		
Increase in effective interest expense on the liability component of convertible loan note	(284)	(361)
Convertible loan note settlement expense		
Increase in convertible loan note settlement expense	(85)	(310)
Increase (Decrease) in profit for the year	3,952	(890)

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)**	**Prospective adjust-ments**	**As at 1 January 2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		HKAS 1	HKAS 32	HKFRS 2		HKAS 39	
Balance sheet items							
Goodwill	4,933	–	–	–	4,933	–	4,933
Intangible assets	9,092	–	–	–	9,092	–	9,092
Other assets	11,387	–	–	–	11,387	–	11,387
Listed investments held for trading	–	–	–	–	–	47,032	47,032
Investments	47,032	–	–	–	47,032	(47,032)	–
Convertible loan note	(40,500)	–	666	–	(39,834)	–	(39,834)
Derivative financial instrument	–	–	–	–	–	(48)	(48)
Other net assets	207,704	–	–	–	207,704	–	207,704
Total effects on assets and liabilities	239,648	–	666	–	240,314	(48)	240,266
Share capital	75,456	–	–	–	75,456	–	75,456
Accumulated losses	(84,951)	–	(105)	(680)	(85,736)	(48)	(85,784)
Convertible loan note equity reserve	–	–	771	–	771	–	771
Share-based payment reserve	–	–	–	680	680	–	680
Other reserves	248,333	–	–	–	248,333	–	248,333
Minority interests	–	810	–	–	810	–	810
Total effects on equity	238,838	810	666	–	240,314	(48)	240,266
Minority interests	810	(810)	–	–	–	–	–

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

	As originally stated	HKAS 1	HKAS 32	HKFRS 2	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Share capital	37,728	–	–	–	37,728
Accumulated losses	(106,229)	–	(729)	(461)	(107,419)
Convertible loan note equity reserve	–	–	1,764	–	1,764
Share-based payment reserve	–	–	–	461	461
Other reserves	186,377	–	–	–	186,377
Minority interests	–	386	–	–	386
Total effects on equity	117,876	386	1,035	–	119,297

The CFSG Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The CFSG Directors anticipate that the application of these new HKFRSs and HKFRS interpretations will have no material impact on the financial statements of the CFSG 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 & 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. In the year ended 31 December 2006, the CFSG Group has also applied, for the first time, a number of new HKFRSs, 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 CFSG Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The CFSG Directors anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the CFSG 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.*

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2006

The following is the audited financial statements of the CFSG Group for the year ended 31 December 2006 as extracted from the annual report 2006 of CFSG.

Consolidated Income Statement
For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	6	383,228	213,557
Other operating income		2,397	2,721
Salaries, commission and related benefits	8	(163,465)	(108,303)
Depreciation and amortisation		(12,304)	(10,606)
Finance costs	9	(49,027)	(14,568)
Other operating and administrative expenses		(124,966)	(56,316)
(Allowance for) Reversal of allowance for bad and doubtful debts		(180)	702
(Loss) Gain on disposal of property and equipment		(98)	43
Net increase (decrease) in fair value of listed investments held for trading		10,261	(3,298)
Convertible loan note settlement income (expense)		291	(85)
Profit before taxation	12	46,137	23,847
Taxation (charge) credit	13	(5,939)	3,440
Profit for the year		40,198	27,287
Attributable to:			
Equity holders of CFSG		39,944	26,626
Minority interests		254	661
		40,198	27,287
Dividend:			
Proposed final dividend of HK$0.02 per share based on 1,382,051,448 shares (2005: nil)		27,641	–
Dividends recognised as distribution during the year			
– 2006 interim – HK$0.03 per share (2005: nil)		41,462	–
– 2005 final – nil (2004: HK$0.01 per share)		–	7,546
		41,462	7,546
Earnings per share	14		
– Basic		2.9 HK cents	3.2 HK cents
– Diluted		2.9 HK cents	3.0 HK cents

Consolidated Balance Sheet
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property and equipment	15	45,720	12,218
Investment property	16	5,000	–
Goodwill	17	114,878	4,933
Intangible assets	18	32,042	11,062
Other assets	20	16,241	7,564
Loan receivables	21	103	122
Deposits for acquisition of subsidiaries	22	–	56,095
Interests in associates	23	–	–
Deferred tax assets	13	2,346	3,940
		216,330	95,934
Current assets			
Inventories	24	674	–
Account receivables	26	781,721	469,528
Loan receivables	21	19,227	38,426
Prepayments, deposits and other receivables		23,764	16,074
Amounts due from associates	25	373	–
Amounts due from fellow subsidiaries	25	3,463	972
Listed investments held for trading	27	54,317	42,472
Derivative financial instrument	28	–	16
Bank deposits under conditions	29	27,813	17,125
Bank balances – trust and segregated accounts	25	574,577	352,902
Bank balances (general accounts) and cash	25	73,226	117,516
		1,559,155	1,055,031

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Current liabilities			
Account payables	*30*	931,865	555,565
Deferred revenue		8,027	–
Accrued liabilities and other payables		64,860	33,939
Taxation payable		4,428	1,084
Obligations under finance leases – amount due within one year	*31*	215	150
Bank borrowings – amount due within one year	*32*	278,521	171,737
Convertible loan note – amount due within one year	*34*	–	30,242
		1,287,916	792,717
Net current assets		271,239	262,314
		487,569	358,248
Capital and reserves			
Share capital	*33*	138,205	104,488
Reserves		341,626	252,130
Equity attributable to equity holders of CFSG		479,831	356,618
Minority interests		3,761	1,471
Total equity		483,592	358,089
Non-current liabilities			
Deferred tax liabilities	*13*	2,615	–
Bank borrowings – amount due after one year	*32*	1,247	–
Obligations under finance leases – amount due after one year	*31*	115	159
		3,977	159
		487,569	358,248

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of CFSG									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note e)	Convertible loan note equity reserve HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005	75,456	61,956	186,377	771	680	–	(85,736)	239,504	810	240,314
Profit for the year, representing total recognised income for the year	–	–	–	–	–	–	26,626	26,626	661	27,287
Recognition of employee share option benefits	–	–	–	–	203	–	–	203	–	203
Arising from partial repayment of convertible loan note *(Note a(i))*	–	–	–	(190)	–	–	151	(39)	–	(39)
2004 final dividend paid	–	–	–	–	–	–	(7,546)	(7,546)	–	(7,546)
Issue of new shares *(Note b)*	29,032	69,138	–	–	–	–	–	98,170	–	98,170
Transaction costs attributable to issue of new shares	–	(300)	–	–	–	–	–	(300)	–	(300)
Amount transferred to set off accumulated losses *(Note c(i))*	–	–	(12,827)	–	–	–	12,827	–	–	–
At 31 December 2005 and 1 January 2006	104,488	130,794	173,550	581	883	–	(53,678)	356,618	1,471	358,089
Exchange difference arising from translation of foreign operations, representing net expense recognised directly in equity	–	–	–	–	–	(288)	–	(288)	–	(288)
Profit for the year	–	–	–	–	–	–	39,944	39,944	254	40,198
Total recognised income and expense for the year	–	–	–	–	–	(288)	39,944	39,656	254	39,910
Recognition of employee share option benefits	–	–	–	–	1,613	–	–	1,613	–	1,613
Arising from conversion of convertible loan note *(Note d(ii))*	6,000	10,200	–	(308)	–	–	173	16,065	–	16,065
Arising from early repayment of convertible loan note *(Note a(ii))*	–	–	–	(273)	–	–	(79)	(352)	–	(352)
Issue of new shares *(Notes d(i), (iii) and (iv))*	27,717	82,976	–	–	–	–	–	110,693	–	110,693
2006 interim dividend paid	–	–	–	–	–	–	(41,462)	(41,462)	–	(41,462)
Transaction costs attributable to issue of new shares	–	(3,000)	–	–	–	–	–	(3,000)	–	(3,000)
Arising from acquisition of subsidiary	–	–	–	–	–	–	–	–	2,389	2,389
Dividend paid to minority interests	–	–	–	–	–	–	–	–	(353)	(353)
Amount transferred to set off accumulated losses *(note c(ii))*	–	–	(45,000)	–	–	–	45,000	–	–	–
At 31 December 2006	138,205	220,970	128,550	–	2,496	(288)	(10,102)	479,831	3,761	483,592

Notes:

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

(ii) During the year ended 31 December 2006, the CFSG Group has made full repayment of the convertible loan note issued on 1 September 2004 that remained outstanding in June 2006 amounting to HK$8,000,000 and HK$6,300,000 on 1 June 2006 and 28 June 2006 respectively. The consideration of HK$14,300,000 was allocated into liability component and equity component. An equity component of approximately HK$273,000 was released from the convertible loan note equity reserve.

(b) (i) On 15 September 2005, 132,000,000 shares of HK$0.10 each of CFSG were issued by way of subscription at a subscription price of HK$0.27 each pursuant to a subscription agreement dated 16 August 2004. The gross proceeds of HK$35,640,000 were raised for strengthening the funding support and capital base of CFSG.

(ii) In September 2005, 650,000 share options and 12,675,000 share options of CFSG were exercised at an exercise price of HK$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK$0.10 each on 16 September 2005 and 26 September 2005 respectively. The proceeds before expenses were HK$4,530,500.

(iii) On 5 October 2005, 145,000,000 top up shares of HK$0.10 each of CFSG were issued to CIGL, the controlling shareholder, at the price of HK$0.40 each pursuant to the top up agreement dated 22 September 2005. The gross proceeds of HK$58,000,000 were raised for settlement of part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006.

(c) (i) Pursuant to a minutes of a meeting of CFSG Board held on 30 May 2005, an amount of HK$12,827,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG at 31 December 2004 of HK$5,282,000 and the payment for final dividend of 2004 of HK$7,546,000.

(ii) Pursuant to a minutes of a meeting of CFSG Board held on 6 November 2006, an amount of HK$45,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG for payment of 2006 interim dividend of HK$41,462,000.

(d) (i) 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 subscription shares of HK$0.10 each of CFSG were issued to CIGL at a price of HK$0.40 each. The gross proceeds of the two transactions of HK$62,000,000 and HK$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 36(a)(i). These shares rank pari passu in all respects with other shares in issue.

(ii) On 18 January 2006, convertible loan note of CFSG amounting to HK$16,200,000 was converted into 60,000,000 CFSG Shares at a conversion price of HK$0.27 each.

(iii) In January 2006, 520,000 share options and 650,000 share options respectively were exercised at an exercise price of HK$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK$0.10 each of CFSG on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK$397,800. These shares rank pari passu in all respects with other shares in issue.

(iv) In November 2006, 1,000,000 share options were exercised at an exercise price of HK$0.296 each, resulting in the issue of 1,000,000 shares of HK$0.10 each of CFSG on 14 November 2006 for a total consideration (before expenses) of HK$296,000.

(e) The contributed surplus of the CFSG Group represents the difference between the nominal amount of the shares issued by CFSG and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the CFSG Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of CFSG Shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Operating activities			
Profit before taxation		46,137	23,847
Adjustments for:			
Convertible loan note settlement (income) expense		(291)	85
Advertising and telecommunication services expenses	35	4,933	–
Allowance for (Reversal of allowance for) bad and doubtful debts		180	(702)
Amortisation of intangible assets		4,131	–
Depreciation of property and equipment		8,173	10,606
Interest expenses		49,027	14,568
Employee share option benefits		1,613	203
Loss (Gain) on disposal of property and equipment		98	(43)
Net decrease (increase) in fair value of derivative financial instrument		16	(16)
Operating cash inflows before movements in working capital		114,017	48,548
Decrease in loan receivables		19,016	701
Increase in account receivables		(306,408)	(106,533)
Increase in inventories		(349)	–
Increase in prepayments, deposits and other receivables		(2,563)	(3,296)
Increase in amount due from associates		(373)	–
(Increase) Decrease in amounts due from fellow subsidiaries		(2,491)	1,076
(Increase) Decrease in listed investments held for trading		(11,845)	4,560
(Increase) Decrease in bank balances – trust and segregated accounts		(221,675)	80,254
Increase (Decrease) in account payables		364,024	(61,341)
Increase in deferred income		8,027	–
Increase (Decrease) increase in accrued liabilities and other payables		4,053	(380)
Cash used in operation		(36,567)	(36,411)
Income taxes paid		(845)	–
Net cash used in operating activities		(37,412)	(36,411)

	Note	2006 HK$'000	2005 HK$'000
Investing activities			
Deposit payment for acquisition of online game business		–	(56,095)
Acquisitions of business	36(a)	(64,407)	–
Acquisition of assets and liabilities	36(b)	(736)	–
Increase in bank deposits under conditions		(10,688)	(343)
Statutory and other deposits paid		(8,677)	(947)
Purchase of intangible assets		(171)	–
Purchases of property and equipment		(20,306)	(1,650)
Proceeds on disposal of property and equipment		5	60
Net cash used in investing activities		(104,980)	(58,975)
Financing activities			
Increase in bank overdrafts		59,610	11,582
Increase in bank loans		48,421	64,000
Repayment of loan		(12,105)	–
Proceeds on issue of shares		110,693	98,170
Share issue expenses		(3,000)	(300)
Dividend paid		(41,462)	(7,546)
Dividend paid to minority interests		(353)	–
Interest paid on bank borrowings		(48,739)	(13,202)
Interest paid on obligations under finance leases		(14)	(15)
Interest paid on convertible loan note		(212)	(1,067)
Repayment of obligations under finance leases		(149)	(220)
Repayment of convertible loan note		(14,300)	(10,000)
Net cash from financing activities		98,390	141,402
Net (decrease) increase in cash and cash equivalents		(44,002)	46,016
Cash and cash equivalents at beginning of year		117,516	71,500
Effect of foreign exchange rate changes		(288)	–
Cash and cash equivalents at end of year		73,226	117,516
Bank balances (general accounts) and cash		73,226	117,516

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. General

CFSG 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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange.

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

CFSG is an investment holding company. The principal activities of its principal subsidiaries are set out in note 44.

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

In the current year, the CFSG Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 CFSG Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The CFSG Directors anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the CFSG Group.

HKAS 1 (Amendment)	Capital disclosures [1]
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HK(IFRIC) – INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [6]
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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.*

3. Significant Accounting Policies

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

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

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the CFSG 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 CFSG 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 CFSG Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of subsidiaries for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the CFSG Group's interest in the fair values of the identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition.

For previously capitalised goodwill, the CFSG 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.

Goodwill arising on acquisition on or after 1 January 2005

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

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

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

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

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the CFSG Group's share of the net assets of the associates, less any identified impairment loss. When the CFSG 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 CFSG Group's net investments in the associates), the CFSG 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 CFSG Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

Income recognition

Revenue arising from financial services are recognised on the following basis:

- Trading investments such as securities, futures and options are accounted for under HKAS 39 as financial assets held for trading and the net increase or decrease in fair value are accounted for on a trade date basis and recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Online game income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue.

Sales of online game auxiliary products are recognised when products are delivered and title has passed.

Licensing fee income is recognised on a straight-line basis over the licensing period.

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

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

Property and equipment

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

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

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

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

Investment property

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

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

Leasing

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

The CFSG Group as lessee

Assets held under finance leases are recognised as assets of the CFSG 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.

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

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

Retirement benefits costs

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

Borrowing costs

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

Taxation

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

Research and development expenditures

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

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

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

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

Impairment

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

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

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

Inventories

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

Financial instruments

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

Financial assets

The CFSG Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. 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 represent listed investments held for trading. At each balance sheet date subsequent to initial recognition, listed investment held for a trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including account receivables, loan receivables, deposits and other receivables and amounts due from associates and fellow subsidiaries) 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 CFSG 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

Other financial liabilities (including account payables, other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan note

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

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

Provisions

Provisions are recognised when the CFSG Group has a present obligation as a result of a past event, and it is probable that the CFSG Group will be required to settle that obligation. Provisions are measured at the CFSG 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 CFSG)

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 expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

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

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

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

At each balance sheet date, the CFSG 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.

4. Key sources of estimation uncertainty

In the process of applying the CFSG 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 2006, a deferred tax asset of approximately HK$2,346,000 in relation to unused tax losses has been recognised in the CFSG Group's consolidated balance sheet. No deferred tax asset was recognised in the CFSG Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$294,808,000. 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.

Reversal of allowance of bad and doubtful debts

The policy for reversal of allowance of bad and doubtful debts of the CFSG 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 CFSG Group were improved and no impairment of their ability to make payments were noted, reversal of allowances may be required.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the CFSG Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of goodwill is approximately HK$114,878,000. Details of the recoverable amount calculation are disclosed in note 19.

Determining whether intangible asset relating to online game related intellectual property is impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the CFSG Group to estimate the future cash flows expected to arise from the online game related intellectual property and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of online game development cost is approximately HK$12,292,000. Details of the recoverable amount calculation are disclosed in note 18.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. As at 31 December 2006, the carrying amount of the domain name is approximately HK$5,460,000. Details of the recoverable amount calculation are disclosed in note 18.

5. Financial instruments

Financial risk management objectives and policies

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

Market risk

Equity price risk

The CFSG Group is exposed to equity price risk through its investments in equity securities. The CFSG Board 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 CFSG Group to cash flow interest rate risk. The CFSG 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 CFSG Group's maximum exposure to credit risk 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 CFSG 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 CFSG 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 CFSG Directors consider that the CFSG Group's credit risk is significantly reduced.

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

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

Liquidity risk

As part of ordinary broking activities, the CFSG 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.

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, are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes pricing model).

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

6. Revenue

	2006	**2005**
	HK$'000	*HK$'000*
Fees and commission income	263,032	178,719
Interest income	82,945	34,838
Online game subscription income	25,316	–
Sales of online game auxiliary products	9,459	–
Licensing income	2,476	–
	383,228	213,557

7. Business and geographical segments

Business segments

For management purposes, the CFSG Group is currently organised into four main operating divisions, namely, broking, financing, corporate finance and online game services. The online game services division arose from acquisition of online game business on 10 January 2006 as mentioned in note 36(a). These divisions are the basis on which the CFSG Group reports its primary segment information.

Principal activities are as follows:

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

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

Income statement for the year ended 31 December 2006

	Broking	**Financing**	**Corporate finance**	**Online game services**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	247,547	85,054	13,376	37,251	383,228
RESULT					
Segment profit (loss)	64,917	15,277	2,219	(27,527)	54,886
Other operating income					2,397
Unallocated corporate expenses					(11,146)
Profit before taxation					46,137
Taxation charge					(5,939)
Profit for the year					40,198

Balance sheet as at 31 December 2006

	Broking	Financing	Corporate finance	Online game services	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	984,705	540,658	12,542	182,249	1,720,154
Unallocated corporate assets					55,331
Consolidated total assets					1,775,485
LIABILITIES					
Segment liabilities	846,541	383,479	358	38,932	1,269,310
Unallocated corporate liabilities					22,583
Consolidated total liabilities					1,291,893

Other information for the year ended 31 December 2006

	Broking	Financing	Corporate finance	Online game services	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property and equipment	–	–	–	10,890	9,416	20,306
Allowance for bad and doubtful debts	53	27	100	–	–	180
Depreciation of property and equipment	125	–	1	1,117	6,930	8,173
Loss on disposal of property and equipment	–	–	–	98	–	98

Income statement for the year ended 31 December 2005

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

Balance sheet as at 31 December 2005

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	624,276	404,049	16,601	1,044,926
Unallocated corporate assets				106,039
Consolidated total assets				1,150,965
LIABILITIES				
Segment liabilities	478,417	248,885	3,337	730,639
Unallocated corporate liabilities				62,237
Consolidated total liabilities				792,876

Other information for the year ended 31 December 2005

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

Geographical segments

The CFSG Group's operations are located in Hong Kong, the PRC and Taiwan. For the activities of broking, financing and corporate finance, they are based in Hong Kong and the revenue of these activities for the year ended 31 December 2006 are derived from Hong Kong. The online game services are mainly based in PRC and Taiwan and the relevant revenue for the year ended 31 December 2006 are derived mainly from PRC and Taiwan.

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

	2006	2005
	HK$'000	*HK$'000*
Hong Kong	345,977	213,557
PRC	25,525	–
Taiwan	11,726	–
	383,228	213,557

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	**2005**
	HK$'000	*HK$'000*
Hong Kong	1,537,905	1,044,926
PRC	143,023	–
Taiwan	39,226	–
	1,720,154	1,044,926

Additions to property and equipment

	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong	–	–
PRC	10,290	–
Taiwan	600	–
	10,890	–

8. Salaries, commission and related benefits

	2006	**2005**
	HK$'000	*HK$'000*
Salaries, allowances and commission represent the amounts paid and payable to the CFSG Directors and employees and comprises of:		
Salaries, allowances and commission	158,417	106,050
Contributions to retirement benefits scheme	3,435	2,050
Employee share option benefits	1,613	203
	163,465	108,303

9. Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts and loans wholly repayable within five years	48,739	13,202
Finance leases	14	15
Effective interest expense on convertible loan note	274	1,351
	49,027	14,568

10. CFSG Directors' remuneration

The remuneration paid or payable to each of the eight (2005: nine) CFSG Directors were as follows:

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Cheng Man Pan Ben	Kwok Oi Kuen Joan Elmond	Cheng Shu Shing Raymond	Hui Ka Wah Ronnie	Lo Kwok Hung John	2006 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees:									
Executive CFSG Directors	–	–	–	–	–	–	–	–	–
Independent non-executive CFSG Directors	–	–	–	–	–	100	100	100	300
Other remuneration paid to executive CFSG Directors:									
Salaries, allowances and benefits in kind	120	600	1,290	734	–	–	–	–	2,744
Discretionary bonus	–	–	1,000	–	–	–	–	–	1,000
Employee share option benefits	90	90	90	90	–	15	15	15	405
Contributions to retirement benefits scheme	6	30	66	30	–	–	–	–	132
Total remuneration	216	720	2,446	854	–	115	115	115	4,581

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Cheng Man Pan Ben	Kwok Oi Kuen Joan Elmond	Cheng Shu Shing Raymond	Hui Ka Wah Ronnie	Lo Kwok Hung John	Wong Kwong Chi Simon	2005 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Fees:										
Executive CFSG Directors	–	–	–	–	–	–	–	–	–	–
Independent non-executive CFSG Directors	–	–	–	–	–	100	100	30	70	300
Other remuneration paid to executive CFSG Directors:										
Salaries, allowances and benefits in kind	120	600	1,160	640	–	–	–	–	–	2,520
Employee share option benefits	17	17	17	18	17	2	2	2	–	92
Contributions to retirement benefits scheme	6	30	58	27	–	–	–	–	–	121
Total remuneration	143	647	1,235	685	17	102	102	32	70	3,033

During the year ended 31 December 2006, Ms Kwok Oi Kuen Joan Elmond resigned as an executive CFSG Director.

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

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

11. Employees' remuneration

Of the five individuals with the highest emoluments in the CFSG Group, one (2005: one) was CFSG Director whose emolument is included in the disclosures in note 10 above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	3,400	5,487
Contributions to retirement benefits scheme	180	146
Performance related incentive payments	4,747	102
Discretionary bonus	260	–
Employee share option benefits	75	12
	8,662	5,747

Their remuneration were within the following bands:

	2006 *Number of employees*	2005 *Number of employees*
HK$1,000,001 to HK$1,500,000	1	3
HK$1,500,001 to HK$2,000,000	2	1
HK$3,500,001 to HK$4,000,000	1	–

12. Profit before taxation

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	1,800	1,550
Amortisation of intangible assets (included in depreciation and amortisation)	4,131	–
Depreciation of property and equipment		
Owned assets	8,077	10,471
Leased assets	96	135
	8,173	10,606
Advertising and promotion expenses	24,967	6,134
Operating lease rentals in respect of land and buildings	13,099	9,415
Loss (Gain) on disposal of property and equipment	98	(43)
Net foreign exchange (gain) loss	(131)	645
Unrealised gain on derivative financial instrument	–	(16)
Dividends from investments	(471)	(143)

13. Taxation charge (credit)

	2006 *HK$'000*	2005 *HK$'000*
Current tax:		
– Hong Kong	4,140	500
– PRC	143	–
Overprovision in prior years	(94)	–
Deferred taxation	1,750	(3,940)
	5,939	(3,440)

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

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

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

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

	2006	**2005**
	HK$'000	*HK$'000*
Profit before taxation	46,137	23,847
Taxation at income tax rate of 17.5%	8,074	4,173
Overprovision in respect of prior years	(94)	–
Tax effect of expenses not deductible for tax purpose	3,319	1,499
Tax effect of income not taxable for tax purpose	(3,008)	(936)
Utilisation of estimated tax losses previously not recognised	(5,708)	(5,492)
Tax effect of estimated tax losses not recognised	2,685	1,207
Tax effect of estimated tax losses in previous years now recognised	–	(3,940)
Effect of different tax rates of subsidiaries operating in other jurisdictions	587	–
Other difference	84	49
Taxation charge (credit) for the year	5,939	(3,440)

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

	Accelerated tax depreciation	**Estimated tax losses**	**Intangible asset**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	(1,945)	1,945	–	–
Credit to consolidated income statement	1,169	2,771	–	3,940
At 31 December 2005 and 1 January 2006	(776)	4,716	–	3,940
Deferred tax liability on intangible assets arising from acquisition of subsidiaries *(note 36(a)(i))*	–	–	(2,459)	(2,459)
Credit (Charge) to consolidated income statement	5	(2,370)	615	(1,750)
At 31 December 2006	(771)	2,346	(1,844)	(269)

For the purpose of balance sheet presentation, deferred tax assets and liabilities of approximately HK$771,000 (2005: HK$776,000) have been offset. Same amount of movement amounting to HK$5,000 (2005: HK$1,169,000) have been credited and charged to the current year consolidated income statement for accelerated tax depreciation and estimated tax losses respectively. HK$2,365,000 (2005: HK$3,940,000) estimated tax losses have been debited (2005: credited) to the consolidated income statement for recognising the utilisation of deferred tax assets.

At the balance sheet date, the CFSG Group had unused estimated tax losses of HK$308,213,000 (2005: HK$325,487,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$13,405,000 (2005: HK$26,949,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK$294,808,000 (2005: HK$298,538,000) due to the unpredictability of future profit streams.

14. Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of CFSG for the year ended 31 December 2006 together with the comparative figures for 2005 are based on the following data:

	2006	**2005**
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share	39,944	26,626
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	274	1,351
Profit for the purpose of diluted earnings per share	40,218	27,977

	2006	**2005**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,371,527,475	832,131,859
Effect of dilutive potential ordinary shares assumed exercise of share options	4,107,008	N/A
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	21,765,601	112,962,963
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,397,400,084	945,094,822

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

15. Property and equipment

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2005	34,291	21,607	25,684	1,723	83,305
Additions	197	136	1,317	466	2,116
Disposals	–	(8)	–	(350)	(358)
At 31 December 2005	34,488	21,735	27,001	1,839	85,063
Additions	7,526	133	12,647	–	20,306
Arising on acquisition of subsidiaries *(see note 36)*	8,561	79	12,662	170	21,472
Disposals/written off	(154)	(507)	(5,437)	–	(6,098)
At 31 December 2006	50,421	21,440	46,873	2,009	120,743
ACCUMULATED DEPRECIATION					
At 1 January 2005	21,306	17,713	22,042	1,519	62,580
Provided for the year	5,548	3,030	1,834	194	10,606
Eliminated on disposals	–	(8)	–	(333)	(341)
At 31 December 2005	26,854	20,735	23,876	1,380	72,845
Provided for the year	4,841	572	2,594	166	8,173
Eliminated on disposals/ written off	(56)	(507)	(5,432)	–	(5,995)
At 31 December 2006	31,639	20,800	21,038	1,546	75,023
CARRYING VALUES					
At 31 December 2006	18,782	640	25,835	463	45,720
At 31 December 2005	7,634	1,000	3,125	459	12,218

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

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

The carrying values of property and equipment included fully depreciated property and equipment with cost amounting to HK$48,771,000 (2005: HK$49,981,000).

The carrying values of motor vehicles included amounts of HK$463,000 (2005: HK$389,000) in respect of assets held under finance leases.

16. Investment property

	HK$'000
FAIR VALUE	
At 1 January 2005 and 31 December 2005	–
Acquired on an acquisition of a subsidiary *(see note 36(b))*	5,000
At 31 December 2006	5,000

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

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

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

17. Goodwill

	HK$'000
COST	
At 1 January 2005 and at 31 December 2005	4,933
Arising on acquisitions of subsidiaries *(see note 36(a))*	109,945
At 31 December 2006	114,878

Particulars regarding impairment testing on goodwill are disclosed in note 19.

18. Intangible assets

	Trading rights	Club membership	Online game related intellectual property	Domain name	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2005	15,039	–	–	–	15,039
Reclassified from other assets	–	1,970	–	–	1,970
Elimination of accumulated amortisation upon the application of HKAS 38	(5,947)	–	–	–	(5,947)
At 31 December 2005	9,092	1,970	–	–	11,062
Arising on acquisitions of subsidiaries *(see note 36)*	–	3,090	16,390	5,460	24,940
Additions	–	–	171	–	171
At 31 December 2006	9,092	5,060	16,561	5,460	36,173
AMORTISATION					
At 1 January 2005	5,947	–	–	–	5,947
Elimination of accumulated amortisation upon the application of HKAS 38	(5,947)	–	–	–	(5,947)
At 31 December 2005	–	–	–	–	–
Charge for the year	–	–	4,131	–	4,131
At 31 December 2006	–	–	4,131	–	4,131
CARRYING VALUES					
At 31 December 2006	9,092	5,060	12,430	5,460	32,042
At 31 December 2005	9,092	1,970	–	–	11,062

Intangible assets amounting to HK$9,092,000 represent trading rights in the exchanges 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 provisions in HKAS 38, the CFSG 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 19.

Intangible assets amounting to HK$5,060,000 represent club memberships. Until 31 December 2004, the club memberships were classified as other assets. On 1 January 2005, in the opinion of the CFSG Directors, club memberships were reclassified to intangible assets with indefinite useful life.

For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. During the year ended 31 December 2006, management of the CFSG Group determines that there is no impairment of the club membership since the recoverable amount of the club memberships exceeds its carrying amount.

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

Intangible assets of online game related intellectual property amounting to HK$12,292,000 represent online game development cost and licensing fee, website development cost and software technology copyrights arising from acquisition of online game business in PRC as mentioned in note 36(a)(i). These intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over four years.

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

Intangible assets amounting to HK$5,460,000 represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 36(a)(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by the management of the CFSG Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2006 has been supported by valuation carried out at that day by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the CFSG Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

19. Impairment testing on goodwill and trading rights

As explained in note 7, the CFSG 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 17 and 18 respectively have been allocated to three individual cash generating units ("CGUs") respectively, including two subsidiaries in broking, one subsidiary in corporate finance and the newly acquired online game business. The carrying amounts of goodwill and trading rights as at 31 December 2006 allocated to these units are as follows:

	Goodwill	**Trading rights**
	HK$'000	*HK$'000*
Broking – Broking of securities	–	9,092
Broking – Mutual funds and insurance-linked investment products	2,272	–
Corporate finance	2,661	–
Online game services	109,945	–
	114,878	9,092

During the year ended 31 December 2006, management of the CFSG Group determines that there are no impairments of any of its CGUs containing goodwill or trading rights.

The recoverable amounts of the CGUs of broking and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 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. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the CGU's past performance and management's expectations for the market development. There is no impairment of goodwill since the recoverable amount of the above CGU exceeds its carrying value.

20. Other assets

	2006	**2005**
	HK$'000	*HK$'000*
Statutory and other deposits	16,241	7,564

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

21. LOAN RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Variable-rate loan receivables denominated in Hong Kong dollar	45,900	76,684
Less: Allowance for bad and doubtful debts	(26,570)	(38,136)
	19,330	38,548
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	19,227	38,426
Non-current assets (receivable after 12 months from the balance sheet date)	103	122
	19,330	38,548

Loan receivables with an aggregate carrying value of approximately HK$4,968,000 (2005: HK$25,756,000) are secured by pledged marketable securities.

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	19,227	38,426
In more than one year but not more than two years	23	23
In more than two years but not more than three years	25	25
In more than three years but not more than four years	27	26
In more than four years but not more than five years	28	28
In more than five years	–	20
	19,330	38,548

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

22. Deposits for acquisition of subsidiaries

Pursuant to the circular of CFSG dated 30 November 2005 ("Circular"), the CFSG Group underwent several fund raising transactions and a major acquisition transaction of Netfield Technology Limited and its subsidiaries (hereinafter collectively referred to as the "Netfield Group").

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 31 December 2005. This sum is presented as "Deposits for acquisition of subsidiaries" as at 31 December 2005.

The acquisition was completed on 10 January 2006.

23. Interests in associates

	2006	**2005**
	HK$'000	*HK$'000*
Cost of investments in an associate:		
Unlisted	8	–
Share of post-acquisition loss	(8)	–
	–	–

As at 31 December 2006, the CFSG Group had interests in the following associates:

Name of entity	**Form of business structure**	**Country of incorporation/ date of incorporation**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital/ registered capital held by the CFSG Group**	**Proportion of voting power held**	**Principal activity**
					%	%	
RACCA Capital Inc	Incorporated	British Virgin Islands 24 April 2006	Hong Kong	Ordinary	33	33	Investment holding
RACCA Capital Limited	Incorporated	Hong Kong 17 May 2006	Hong Kong	Ordinary	33	33	Introducing agent

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

	2006
	HK$
Total assets	1,776,020
Total liabilities	(3,318,494)
Net liabilities	(1,542,474)
CFSG Group's share of net assets of associates	–
Revenue	600,000
Loss for the year	1,542,498
CFSG Group's share of loss of associates for the year	8

24. Inventories

	2006	**2005**
	HK$'000	*HK$'000*
Consumables:		
Online game auxiliary products (at cost)	674	–

25. Other financial assets and liabilities

Amounts due from associates/fellow subsidiaries

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

Bank balances – trust and segregated accounts

From the CFSG 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 CFSG Group has recognised the corresponding account payables to respective clients and other institutions. However, the CFSG Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

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

26. 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	70,662
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	–
	781,721	469,528

Account receivables are netted off by allowance for bad and doubtful debts of HK$20,086,000 (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 CFSG 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 Mr Kwan Pak Hoo Bankee has a controlling interest and is a CFSG 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 ("Cash Guardian")	–	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 as well as account receivables arising from the business of provision of corporate finance services and online game services, the CFSG Group allows a credit period of 30 days. The aged analysis is as follows:

	2006	2005
	HK$'000	*HK$'000*
0-30 days	10,849	2,373
31-60 days	2,387	436
61-90 days	1,690	5
Over 90 days	1,640	493
	16,566	3,307

27. Listed investments held for trading

Listed investments held for trading include:

	2006	2005
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong	54,317	42,472

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

28. Derivative financial instrument

	2006	2005
	HK$'000	*HK$'000*
Interest rate swap	–	16

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. It has already been matured on 25 August 2006.

29. Bank deposits under conditions

	2006	2005
	HK$'000	*HK$'000*
Other bank deposits *(note (a))*	16,685	16,207
Pledged bank deposits *(note (b))*	11,128	918
	27,813	17,125

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

Notes:

(a) Pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group covenants to maintain deposits of not less than HK$15,000,000 (2005: 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 CFSG Group's bank deposits of HK$11,128,000 (2005: HK$918,000) were pledged to secure the general banking facilities granted by banks. The bank deposits will mature when the banking facilities are withdrawn.

30. 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	–
	931,865	555,565

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

The account payables amounting to approximately 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 CFSG 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 whole account payables are aged within 30 days.

31. Obligations under finance leases

It is the CFSG Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.1% to 6% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		**Present value of minimum lease payments**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases				
Within one year	243	164	215	150
In more than one year but not more than two years	119	177	115	159
	362	341	330	309
Less: future finance charges	(32)	(32)	–	–
Present value of lease obligations	330	309	330	309
Less: Amount due for settlement within 12 months (shown under current liabilities)			(215)	(150)
Amount due for settlement after 12 months			115	159

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

32. Bank borrowings

	2006	**2005**
	HK$'000	*HK$'000*
Bank overdrafts, secured	89,347	29,737
Bank loans, secured	190,421	142,000
	279,768	171,737

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	278,521	171,737
More than one year but not exceeding two years	1,247	–
	279,768	171,737
Less: Amount due within one year shown under current liabilities	(278,521)	(171,737)
Amount due after one year under non-current liabilities	1,247	–

At 31 December 2006, bank borrowings of HK$277,347,000 (2005: HK$171,737,000) used to finance the financing business of the CFSG Group were secured by:

(a) corporate guarantees from CFSG; and

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

The bank loan amounting to HK$2,421,000 as at 31 December 2006 is secured by personal guarantee from a director of a subsidiary, Fugleman Entertainment Company.

In addition, pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group covenants to maintain deposits of not less than HK$15,000,000 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 29).

Bank overdrafts amounting to HK$89,347,000 (2005: HK$29,737,000) carry interest at either HIBOR plus a spread or Prime rate plus a spread. Bank loans amounting to HK$188,000,000 (2005: HK$142,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Prime rate plus a spread. In addition, bank loans amounting to HK$2,421,000 (2005: nil) are at fixed rate borrowing of 6%. The fixed-rate borrowing is denominated in New Taiwan dollar, a currency other than its functional currency of Hong Kong dollar.

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

As at the balance sheet date, the CFSG Group has undrawn borrowing facility amounting to HK$1,642,653,000 (2005: HK$675,500,000) with floating rate and expiring within one year.

33. Share capital

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2005		2,000,000	200,000
Increase during the year	*(a)*	1,000,000	100,000
At 31 December 2005 and 31 December 2006		3,000,000	300,000
Issued and fully paid:			
At 1 January 2005		754,556	75,456
Issue of subscription shares	*(d)*	132,000	13,200
Exercise of share options	*(c)*	13,325	1,332
Issue of top up shares	*(d)*	145,000	14,500
At 31 December 2005 and 1 January 2006		1,044,881	104,488
Issue of placing shares	*(d)*	155,000	15,500
Issue of subscription shares	*(d)*	120,000	12,000
Issue of conversion shares	*(b)*	60,000	6,000
Exercise of share options	*(c)*	2,170	217
At 31 December 2006		1,382,051	138,205

Notes:

(a) Increase of authorised share capital

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

(b) Conversion of convertible loan note

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

(c) Exercise of share options

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

In January 2006, 520,000 share options and 650,000 share options of CFSG respectively were exercised at an exercise price of HK$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK$0.10 each on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK$397,800. These shares rank pari passu in all respects with other shares in issue.

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

(d) Issue of new shares

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

Pursuant to the top up agreement dated 22 September 2005, a total of 145,000,000 top up shares of HK$0.10 each of CFSG were issued to CIGL at the price of HK$0.40 each on 5 October 2005. The gross proceeds of HK$58,000,000 were used to pay part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006. These shares rank pari passu in all respects with other shares in issue.

On 10 January 2006, 155,000,000 placing shares of HK$0.10 each of CFSG were issued at a placing price of HK$0.40 each to independent third parties. On the same date, 120,000,000 subscription shares of HK$0.10 each were issued to CIGL at a price of HK$0.40 per share. The gross proceeds of the two transactions of HK$62,000,000 and HK$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 36(a)(i). These shares rank pari passu in all respects with other shares in issue.

34. Convertible loan note

CFSG issued convertible loan note amounting to HK$40,500,000 to ARTAR, at the date of issuances on 1 September 2004. It bears interest at a rate of 3% per annum and is matured 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 ended 31 December 2005, 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 per share.

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

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

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

	2006	**2005**
	HK$'000	*HK$'000*
Liability component at the beginning of the year	30,242	39,834
Interest paid	59	284
Conversion to ordinary shares	(16,062)	–
Early partial repayment	(14,239)	(9,876)
Liability at the end of the year	–	30,242

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 2006, a partial repayment of HK$14,300,000 (2005: HK$10,000,000) was made and a corresponding settlement income of HK$291,000 (2005: 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, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan note at the balance sheet date, approximates its carrying amount.

35. Major non-cash transactions

(a) Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries, including the CFSG Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the CFSG Group paid. During the year, the CFSG Group has utilised approximately HK$4,933,000 advertising and telecommunication services (2005: nil).

(b) During the year ended 31 December 2006, the principal amount of convertible loan note of HK$16,200,000 was converted into 60,000,000 shares of HK$0.10 each at a conversion price of HK$0.27 each.

36. Acquisitions of subsidiaries

(a) Acquisitions of business

(i) Netfield Group

On 10 January 2006, the CFSG Group acquired 100% of the equity interest of Netfield Technology Limited from an independent third party with an aggregate consideration of approximately HK$116,484,000. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were HK$102,491,000 and HK$16,390,000 respectively.

	Note	**Acquiree's carrying amount before combination** *HK$'000*	**Fai value adjustment** *HK$'000*	**Fair value** *HK$'000*
Net assets acquired:				
Property and equipment		2,615	–	2,615
Prepayments, deposits and other receivables		1,496	–	1,496
Bank balances and cash		2,300	–	2,300
Accrued liabilities and other payables		(6,349)	–	(6,349)
Amount due to a shareholder		(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property		–	16,390	16,390
Deferred tax liabilities		–	(2,459)	(2,459)
		(24,632)	13,931	(10,701)

	Note	Acquiree's carrying amount before combination HK$'000	Fai value adjustment HK$'000	Fair value HK$'000
Amount due to a shareholder assigned to the CFSG Group				24,694
Goodwill				102,491
Cash consideration				116,484
Total consideration satisfied by:				
Deposit paid	22			56,095
Cash consideration paid				60,389
				116,484
Net cash outflow arising on acquisition:				
Total cash payment				(60,389)
Bank balances and cash acquired				2,300
				(58,089)

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

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

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

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

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

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

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

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

(b) Acquisition of assets and liabilities from CASH

During the year, through the acquisition of equity interest of certain subsidiaries of CASH, the CFSG Group has, in substance, acquired the following assets and related liabilities at a total consideration of HK$852,000:

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

37. Share option schemes

(A) Share option schemes of CFSG

The share option scheme of CFSG ("Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries including the CFSG Group ("CASH Group"); or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

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

(iii) The maximum number of shares in respect of which options might be granted under the Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 138,105,144 shares, representing 9.99% of the issued share capital of CFSG, 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 Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

(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 CFSG Board and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the CFSG Board 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 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 of CFSG held by the CFSG Directors and the employees of the CFSG Group and movements in such holdings:

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	*Notes*	Number of options: outstanding as at 1.1.2005	exercised in 2005 *(Note 3)*	granted in 2005 *(Note 4)*	lapsed in 2005 *(Note 6)*	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006 *(Note 5)*	exercised in 2006 *(Note 3)*	lapsed in 2006 *(Note 6)*	outstanding as at 31.12.2006
CFSG Directors													
Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005		12,740,000	–	–	(12,740,000)	–	–	–	–	–
	2.12.2003	0.340	1.6.2004-31.5.2006	*(1)*	650,000	–	–	–	650,000	–	–	(650,000)	–
	6.10.2005	0.380	6.10.2005-31.10.2006	*(4)*	–	–	42,000,000	–	42,000,000	–	–	(42,000,000)	–
	7.7.2006	0.296	7.7.2006-31.7.2008	*(5)*	–	–	–	–	–	27,000,000	–	–	27,000,000
					13,390,000	–	42,000,000	(12,740,000)	42,650,000	27,000,000	–	(42,650,000)	27,000,000
Employees													
Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005		9,555,000	–	–	(9,555,000)	–	–	–	–	–
	2.12.2003	0.340	1.6.2004-31.5.2006	*(1)&((3)*	20,540,000	(13,325,000)	–	(2,795,000)	4,420,000	–	(1,170,000)	(3,250,000)	–
	6.10.2005	0.380	6.10.2005-31.10.2006	*(4)*	–	–	33,000,000	–	33,000,000	–	–	(33,000,000)	–
	7.7.2006	0.296	7.7.2006-31.7.2008	*(3)&(5)*	–	–	–	–	–	74,300,000	(1,000,000)	–	73,300,000
	7.7.2006	0.296	7.7.2006-31.7.2010	*(2)&(5)*	–	–	–	–	–	6,000,000	–	–	6,000,000
					30,095,000	(13,325,000)	33,000,000	(12,350,000)	37,420,000	80,300,000	(2,170,000)	(36,250,000)	79,300,000
					43,485,000	(13,325,000)	75,000,000	(25,090,000)	80,070,000	107,300,000	(2,170,000)	(78,900,000)	106,300,000

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 12 months from the commencement of the exercise period.

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

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

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

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

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

(5) The closing price of the CFSG Share immediately before the date of grant on 7 July 2006 was HK$0.29.

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

(7) No option was cancelled during the year.

The exercise in full of the outstanding 106,300,000 share options at 31 December 2006 would, under the present capital structure of CFSG, result in the issue of 106,300,000 additional shares for a total cash consideration, before expenses, of approximately HK$31,464,800.

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

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.

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

	Share option grant date	
	6 October 2005	**7 July 2006**
Weighted average share price	HK$0.32	HK$0.29
Exercise price	HK$0.38	HK$0.30
Expected volatility	20%	74%
Expected life	1 year	2 years
Risk-free rate	3.86%	4.59%
Expected dividend yield	3.125%	3.125%

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

The CFSG Group recognised the total expenses of approximately HK$1,613,000 (2005: HK$203,000) for the year ended 31 December 2006 in relation to share options granted by CFSG.

(B) Share option scheme of CASH

The share option scheme of CASH was adopted pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002 ("CASH Option Scheme"). The major terms of the CASH Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the CASH Group; or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

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

(iii) The maximum number of shares in respect of which options might be granted under the CASH Option Scheme must not exceeded 10% of the issued share capital of CASH as at the date of approval of the CASH Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CASH Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

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

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

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

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

				Number of options				
Name of scheme	Date of grant	Exercise price per share	Exercise period	outstanding as at 1.1.2005	lapsed in 2005	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006	outstanding as at 31.12.2006
		HK$						
CFSG Directors								
CASH Option Scheme	2.12.2003	0.502	2.12.2003-30.11.2005	10,000,000	(10,000,000)	–	–	–
	13.11.2006	0.323	13.11.2006-12.11.2008	–	–	–	12,000,000	12,000,000
				10,000,000	(10,000,000)	–	12,000,000	12,000,000
Employees								
CASH Option Scheme	13.11.2006	0.323	13.11.2006-12.11.2008	–	–	–	20,000,000	20,000,000
				10,000,000	(10,000,000)	–	32,000,000	32,000,000

38. Retirement benefits scheme

The CFSG Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the CFSG Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the CFSG 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 CFSG Group. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the CFSG Group in an independently administrated fund. The CFSG Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the retirement benefits scheme charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$3,528,000 (2005: HK$2,366,000) and HK$93,000 (2005: HK$316,000) respectively for the year ended 31 December 2006.

During the year ended 31 December 2006, the CFSG Group has acquired a subsidiary in Taiwan. The subsidiary operates pension plan under the Labor Pension Act ("Act").

The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. During the year ended 31 December 2006, the CFSG Group recognised pension costs of HK$88,000.

The CFSG Group operates various benefits schemes for its full-time employees in PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the CFSG Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. During the year ended 31 December 2006, the CFSG Group recognised contribution to the above benefit schemes of HK$1,086,000.

39. Related party transactions

The CFSG Group had the following significant transactions with related parties:

(a) During the year ended 31 December 2006, the CFSG Group received right issue underwriting fee of approximately HK$705,000 from CASH. The fee was calculated at 2.5% on the total proceeds from the placement received by CASH.

(b) During the year ended 31 December 2006, the CFSG Group received interest from margin financing of approximately HK$1,199,000 (2005: HK$928,000) from Cash Guardian, in which Mr Kwan Pak Hoo Bankee, a CFSG Director has a controlling 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 the year ended 31 December 2006, the CFSG Group received interest from margin financing of approximately HK$39,525 (2005: HK$8,700) from certain wholly-owned subsidiaries of CASH. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(d) During the year ended 31 December 2006, the CFSG Group acquired three subsidiaries from CASH at a total consideration of HK$852,000 (see note 36(b)).

(e) During the year ended 31 December 2006, the CFSG Group paid introducing fee to an associate amounting to HK$600,000.

(f) At 31 December 2006, the CFSG Group had amounts of approximately HK$3,463,000 (2005: HK$972,000) due from fellow subsidiaries. The amounts were unsecured, non-interest bearing and had no fixed repayment terms.

(g) During both years, compensation of key management personnel represents CFSG Directors' remuneration, as stated in note 10. The CFSG Directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

40. Commitments

Capital commitment

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure 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 CFSG 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.

41. Operating lease commitments

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	8,590	6,582
In the second to fifth year inclusive	918	4,826
	9,508	11,408

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

42. Contingent liabilities

In 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a wholly-owned subsidiary of CFSG, 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 CFSG Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The CFSG Directors do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 31 December 2006 and 2005. Accordingly, no provision was made in the financial statements.

43. Post balance sheet events

Subsequent to 31 December 2006, the CFSG Group announced a connected and discloseable transaction on 9 January 2007 for the proposed disposal of the entire interest in Netfield Technology Limited to CASH at a consideration ("Consideration") of the higher of HK$120 million or the valuation of the online game business operated by Netfield Technology Limited as at 31 December 2006. The transaction will be subject to the approval of the independent shareholders of CFSG at a special general meeting to be convened.

Pursuant to the option deed dated 9 January 2007, CASH has agreed to grant an option, which is subjected to certain precedent conditions, to Mr Lin Che Chu George, a common director of both CASH and Netfield Technology Limited. Under such option, Mr Lin Che Chu George has a right to require CASH to transfer such number of shares in Netfield Technology Limited as representing 10% of the entire issued share capital of Netfield Technology Limited for 10% of the Consideration.

44. Particulars of principal subsidiaries of CFSG

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by CFSG	Principal activities
			%	
CASH Asset Management Limited	Hong Kong	HK$200,000	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	100	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	100	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	100	Money lending
Celestial Securities Limited	Hong Kong	HK$140,000,000	100	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US$1	100	Investment holding

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by CFSG %	Principal activities
CASH Frederick Taylor Limited	Hong Kong	HK$1,000,000	70	Financial advisory consultancy
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	51	Online game operator
摩力游(上海)信息科技有限公司 (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	100	Online game developer
上海摩力游數字娛樂有限公司 (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited	PRC	RMB1,000,000	100	Online game operator

CASH E-Trade Limited and icoupon Limited are directly held by CFSG. All other subsidiaries shown above are indirectly held by CFSG.

45. SUMMARISED BALANCE SHEET OF CFSG

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Non-current assets		
Investments in subsidiaries	470,800	466,279
Deposit for acquisition	–	56,095
	470,800	522,374
Current assets		
Amounts due from subsidiaries	235,861	127,772
Bank balances (general accounts)	72	691
	235,933	128,463
Current liabilities		
Accrued liabilities and other payables	1,920	1,499
Amounts due to subsidiaries	323,273	323,273
Convertible loan note – amount due within one year	–	30,242
	325,193	355,014
Net current liabilities	(89,260)	(226,551)
	381,540	295,823
Capital and reserves		
Share capital	138,205	104,488
Reserves	243,335	191,335
Total equity	381,540	295,823

UNAUDITED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2007

The following is the unaudited financial results of the CFSG Group for the three months ended 31 March 2007 as extracted from the first quarterly report 2007 of CFSG.

Results

The unaudited consolidated results of the CFSG Group for the three months ended 31 March 2007 together with the comparative figures for the last corresponding period are as follows:

		Unaudited three months ended 31 March	
		2007	**2006**
	Notes	*HK$'000*	*HK$'000*
Revenue	*(3)*	167,835	88,441
Other operating income		417	274
Salaries, commission and related benefits		(49,423)	(44,506)
Depreciation and amortisation		(4,490)	(1,747)
Finance costs		(12,203)	(10,117)
Other operating, selling and administrative expenses		(66,978)	(19,271)
Net (decrease) increase in fair value of listed investments held for trading		(1,301)	5,027
Profit before taxation		33,857	18,101
Taxation charge	*(4)*	(4,646)	(2,620)
Profit for the period		29,211	15,481
Attributable to:			
Equity holders of CFSG		28,551	15,311
Minority interests		660	170
		29,211	15,481
Earnings per share	*(5)*		
– Basic		2.1 HK cents	1.2 HK cents
– Diluted		2.0 HK cents	1.1 HK cents

Notes:

(1) Basis of preparation

The unaudited consolidated results of the CFSG Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated accounts include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited consolidated results for the three months ended 31 March 2007 have not been audited by the auditors of CFSG, but have been reviewed by the audit committee of CFSG.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

The new standards, amendment or interpretations which become effective and therefore are adopted in 2007 have no material impact on the results and financial position of the CFSG Group.

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

HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC) – INT 12	Service concession arrangements [3]

[1] *Effective for annual periods beginning on or after 1 January 2009.*
[2] *Effective for annual periods beginning on or after 1 March 2007.*
[3] *Effective for annual periods beginning on or after 1 January 2008.*

(3) Revenue

	Unaudited three months ended 31 March	
	2007	**2006**
	HK$'000	*HK$'000*
Fees and commission income	86,970	69,185
Interest income	21,217	17,697
Online game subscription income	30,604	1,559
Sales of online game auxiliary products	28,907	–
Licensing income	137	–
	167,835	88,441

(4) Taxation charge

	Unaudited three months ended 31 March 2007 HK$'000	2006 HK$'000
Current tax:		
– Hong Kong	4,300	120
– PRC	–	–
– Elsewhere	500	–
Deferred taxation (credit) charge	(154)	2,500
	4,646	2,620

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the CFSG Group operates, based on existing legislation, interpretations and practices in respect thereof.

Certain subsidiaries of the CFSG Group are operating in PRC. They are subject to tax with rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone). No provision for taxation has been made for these subsidiaries as no assessable profit is arisen during both periods.

Deferred tax credit for current period related to amortisation of the deferred tax liability on intangible assets arising from acquisition of subsidiaries in 2006.

Part of the deferred tax asset of HK$2,500,000 had been utilised in 2006 due to assessable profit was expected to be earned by certain subsidiaries. No other deferred tax asset has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(5) Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of CFSG for the three months ended 31 March 2007 together with the comparative figures for the prior period are based on the following data:

	Unaudited three months ended 31 March	
	2007	**2006**
	HK$'000	*HK$'000*
Profit		
Profit for the purpose of basic earnings per share	28,551	15,311
Effect of dilutive potential ordinary shares: Interest on convertible loan note	–	107
Profit for the purpose of diluted earnings per share	28,551	15,418
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,382,051,448	1,326,548,099
Effect of dilutive potential ordinary shares assumed exercise of share options	17,716,667	N/A
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	N/A	52,962,962
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,399,768,115	1,379,511,061

The computation of diluted earnings per share for 2006 does not assume the exercise of the outstanding CFSG Options as the exercise prices of those options were higher than the average market price for shares during that period.

(6) Reserves

	Unaudited three months ended 31 March 2007						
	Share premium	Contributed surplus	Convertible loan note equity reserve	Share-based payment reserve	Translation reserve	(Accumulated losses)/ retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the three months period	220,970	128,550	–	2,496	(288)	(10,102)	341,626
Profit for the period, representing total recognised income for the period	–	–	–	–	–	28,551	28,551
End of the three months period	220,970	128,550	–	2,496	(288)	18,449	370,177

	Unaudited three months ended 31 March 2006					
	Share premium	Contributed surplus	Convertible loan note equity reserve	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Beginning of the three months period	130,794	173,550	581	883	(53,678)	252,130
Profit for the period, representing total recognised income for the period	–	–	–	–	15,311	15,311
Arising from partial repayment of convertible loan note	–	–	(273)	–	–	(273)
Issue of new shares	92,981	–	–	–	–	92,981
End of the three months period	223,775	173,550	308	883	(38,367)	360,149

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AFTER THE OFFERS ("NEW GROUP")

The unaudited pro forma statement of assets and liabilities of the New Group has been prepared to illustrate the effect of the Offers.

The unaudited pro forma statement of assets and liabilities of the New Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Offers as if the Offers took place on 31 December 2006.

The unaudited pro forma statement of assets and liabilities of the New Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the accompanying unaudited pro forma statement of assets and liabilities of the New Group does not purport to describe the actual financial position of the New Group that would have been attained had the Offers been completion on 31 December 2006. The unaudited pro forma statement of assets and liabilities of the New Group does not purport to predict the future financial position of the New Group.

The unaudited pro forma statement of assets and liabilities has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the New Group following completion of the Offers.

	Audited as at 31 Dec 2006 The Group	Pro forma adjustment	Unaudited pro forma balance of the Group
	Note 1	*Note 2*	
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	98,750		98,750
Prepaid lease payments	16,378		16,378
Investment property	5,000		5,000
Available-for-sale investments	33,392		33,392
Goodwill	212,027	11,490	223,517
Intangible assets	68,712		68,712
Other assets	16,241		16,241
Loan receivables	656		656
Deferred tax assets	1,575		1,575
	452,731	11,490	464,221
Current assets			
Inventories	49,624		49,624
Account receivables	782,181		782,181
Loan receivables	19,275		19,275
Prepayments, deposit and other receivables	58,454		58,454
Receivable for disposal of an associate	76,187		76,187
Amounts due from associates	373		373
Listed investment held for trading	49,325		49,325
Bank deposits under conditions	78,075		78,075
Bank balances – trust and segregated accounts	574,577		574,577
Bank balances (general accounts) and cash	168,569	(145,101)	23,468
	1,856,640	(145,101)	1,711,539

	Audited as at 31 Dec 2006 The Group	Pro forma adjustment	Unaudited pro forma balance of the Group
	Note 1	*Note 2*	
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Account payables	1,071,830		1,071,830
Deferred revenue	8,027		8,027
Accrued liabilities and other payables	109,467		109,467
Payable for acquisition of subsidiaries	100,590		100,590
Taxation payable	4,869		4,869
Obligations under finance leases			
– amount due within one year	756		756
Borrowings – amount due within one year	405,189		405,189
	1,700,728		1,700,728
Net current assets	155,912	(145,101)	10,811
Non current liabilities			
Obligations under finance lease			
– amount due after one year	541		541
Deferred tax liabilities	8,494		8,494
Borrowings – amount due after one year	32,277		32,277
	41,312		41,312
Net assets	567,331	(133,611)	433,720

Notes:

(1) Figures are extracted from 2006 annual report of the Company.

(2) As detailed on page 13 of this circular, as at the Latest Practicable Date, the Offeror will acquire a maximum of 381,845,466 CFSG Shares under the Share Offer after taking into account the undertakings from CFSG Directors (other than those who are also Directors), ARTAR and certain CFSG Shareholders for a total of 260,912,000 CFSG Shares that they will not accept the Share Offer and the undertakings from each of the CFSG Option Holders that they will not exercise the CFSG Options before the close of the Offers.

The adjustment reflects the recognition of goodwill arising from the acquisition of 381,845,466 CFSG Shares on the basis as mentioned above. Goodwill is determined as the difference between the consideration and the carrying value of the net assets of CFSG acquired by the Company.

B. REPORT FROM DELOITTE TOUCHE TOHMATSU

The following is the text of a report from Deloitte Touche Tohmatsu, the auditors and reporting accountants of Celestial Asia Securities Holdings Limited, in connection with the unaudited financial information of the Company and its subsidiaries.

Deloitte.
德勤

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TO THE DIRECTORS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the Directors of the Company for illustrative purposes only, to provide information about how the possible major transaction relating to unconditional mandatory cash offers with regard to CASH Financial Services Group Limited might have affected the financial information presented, for inclusion in Appendix III of the circular dated 29 June 2007 ("Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 180 to 182 of the Circular.

Respective responsibilities of Directors of the Company and reporting accountants

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

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

Basis of opinion

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

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

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2006 or any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled by the Directors of the Company on the basis stated;

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

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 June 2007

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

1. 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	–	246,042,564*	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.16
		7,644,300	246,042,564	38.65

* The Shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee 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.

2. 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	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
				26,000,000	3.96

B. Associated corporations (within the meaning of the SFO)

(1) CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of CFSG Shares: Personal	Number of CFSG Shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	711,710,044*	51.46
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Wong Kin Yick Kenneth	Beneficial owner	10,860,000	–	0.79
Lin Che Chu George	Beneficial owner	280,000	–	0.02
		28,404,000	711,710,044	53.52

* The CFSG Shares were held as to 671,318,044 CFSG Shares by CIGL and as to 40,392,000 CFSG Shares by Cash Guardian. Mr Kwan was deemed to be interested in all these CFSG Shares as a result of his interests in the Company through Cash Guardian as disclosed in disclosed in the section headed "Substantial Shareholders" below.

(b) Long positions in the underlying CFSG Shares – options under share option scheme of CFSG

Name	Date of grant	Exercise period	Exercise price per CFSG Share (HK$)	Number of outstanding CFSG options	Percentage to issued CFSG Shares (%)
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296	5,000,000	0.36
Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Lin Che Chu George	7/7/2006	7/7/2006 – 31/7/2008	0.296	13,800,000	0.99
				30,800,000	2.21

(2) Long positions in the ordinary shares of Netfield Technology Limited ("Netfield")

On 1 June 2007, Mr Lin Che Chu George (an executive Director) was granted of an option to acquire from the Group 10 shares of US$1 each (representing 10% of the issued share capital) in Netfield at a consideration of HK$1.2 million per share pursuant to an option deed dated 9 January 2007 (as amended on 22 January 2007). The option is exercisable during the 12-month period immediately before and after the securities of Netfield or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

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 ordinary Shares and underlying Shares 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	246,042,564	37.49
Cash Guardian *(Note 1)*	Beneficial owner	246,042,564	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") *(Note 2)*	Interest in a controlled corporation	103,000,000	15.70
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") *(Note 2)*	Beneficial owner	103,000,000	15.70

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 Pak Hoo Bankee and Jeffnet were deemed to be interested in the Shares held by Cash Guardian.

(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, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTEREST OF DIRECTORS IN GROUP'S ASSETS

(i) 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 since 31 December 2006 (the date to which the latest published audited accounts of the Group have been made up).

(ii) No Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's causes of action against the cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 and interest accrued thereon. A winding up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

(c) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a non-wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK$1,662,598.31. The nature of claim is wind-up petition. A winding-up order was made by the court, the liquidator has been appointed, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

(d) On 29 August 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a non-wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares 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 the date of trial is fixed from 8 to 11 and 14 January 2008.

Save as disclosed above, neither the Company nor any other company in the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Group.

8. 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 placing agreement dated 24 August 2005 entered into between CRMG and CSL, a non-wholly-owned subsidiary of the Group, in relation to the proposed placing of 45,000,000 shares in CRMG at a placing price of HK$0.45 each;

(b) 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 George 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;

(c) the placing agreement dated 15 September 2005 entered into between CFSG and CSL in relation to the proposed placing of 155,000,000 CFSG Shares at a placing price of HK$0.40 each;

(d) the agreement dated 15 September 2005 entered into between CFSG and CIGL, in relation to the proposed issue of 120,000,000 new subscription CFSG Shares at the subscription price of HK$0.40 each to CIGL;

(e) 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 CFSG Shares at a placing price of HK$0.40 each, and (ii) a top up by CIGL of 145,000,000 new CFSG Shares at a subscription price of HK$0.40 each;

(f) 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;

(g) the sale and purchase agreement dated 11 August 2006 (as amended on 25 August 2006) and the supplemental agreement dated 25 August 2006 entered into between, among others, Fit Top Investments Limited and CIGL in relation to the disposal of a 27% shareholding in CRMG;

(h) the underwriting agreement dated 10 October 2006 entered into between the Company and Celestial Capital, a non-wholly-owned subsidiary of the Company, in relation to the underwriting for a 2-for-1 rights issue of the Company at a subscription price of HK$0.28 each;

(i) the sale and purchase agreement dated 9 January 2007 entered into between CIGL as the purchaser and Vantage Giant Limited, as vendor in relation to the acquisition by Group of 100% interest in Netfield Technology Limited including all the outstanding loans due from Netfield Technology Limited at a consideration of the higher of HK$120 million or the valuation of the online game business operated by the Netfield Group as at 31 December 2006;

(j) the option deed dated 9 January 2007 (as amended on 22 January 2007) and the supplemental deed dated 22 January 2007 both entered into between CIGL and Mr Lin Che Chu George in relation to the grant of the right to acquire shares in Netfield Technology Limited; and

(k) the S&P Agreements.

9. EXPERT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:–

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, the Accountants were not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, the Accountants did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2006, being the date up to which the latest published audited consolidated accounts of the Company were made up.

The Accountants have given and have not withdrawn its written consent to the issue of this circular with the inclusion of and reference to their name in the form and context in which it appears.

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 are Standard Registrars Limited at 26/F Tesbury Centre, 28 Queen's Road, 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 13 July 2007:–

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

(b) the material contracts referred to in paragraph 8 above;

(c) the letter from the Accountants in respect of the pro forma financial statement of the assets and liabilities of the New Group as set out in Appendix III to this circular;

(d) the letter of consent from the Accountants referred to in paragraph 9 above;

(e) the audited financial statements of the Group for the two financial years ended 31 December 2005 and 31 December 2006; and

(f) the circular of the Company respectively dated 1 March 2007 in relation to connected transactions for grant of financial assistance to connected clients, dated 29 March 2007 in relation to a discloseable transaction for disposals of share investment, dated 4 April 2007 in relation to a connected and major transaction for proposed acquisition of entire issued share capital of Netfield Technology Limited and a connected and possible discloseable transaction in relation to the grant of call option, and the composite offer document issued by the Company, CIGL and CFSG dated 7 June 2007 relating to the Offers.