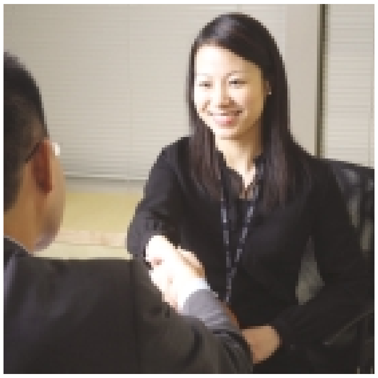

Celestial Asia Securities Holdings Limited

(Stock Code #1049)

Annual Report 2005

CASH 時富

Contents

Corporate Profile

CASH Group is a multi-faceted service conglomerate that addresses modern consumer needs in investment and wealth management, home improvement, as well as lifestyle products and services.

All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer services, great quality and fabulous value.

FINANCIAL SERVICES

CASH Financial Services Group Limited (CFSG) is a leading financial services conglomerate that has been servicing clients in Hong Kong for more than thirty years. Through a well-developed securities and commodities brokerage infrastructure, complemented by a fast-growing wealth management division, we offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs of our clients in Hong Kong and within the Greater China Region. Our fully-fledged investment banking group services regional corporations on a broad range of corporate finance and financial advisory matters. The newly established asset management division provides value-added asset management services for our corporate and individual clients to achieve the highest risk-adjusted returns in the fast changing investment environment.

RETAIL SERVICES AND MANAGEMENT

CASH Retail Management Group Limited (CRMG) is a leading retail services and management group. Founded in 1986, CRMG offers a diverse portfolio of premium brands that satisfy our customers' lifestyle needs through a blend of operating efficiency, effective use of technology, and talented people. We build our competitive advantage by achieving economies of scale through our single operating platform. Businesses comprise sourcing, retail and wholesale distribution of quality products, including furniture, houseware, digital products and electrical appliances.

3C Digital meets the needs of trend-seekers through provision of fashionable digital and electrical products, including consumer electronics, computers and communications items, and personalised customer services.

LifeZtore provides customers with lifestyle ideas that cater for their individual aspirations, offering contemporary furniture and houseware items as created by an international design team.

Pricerite is one of Hong Kong's leading home improvement specialists, offering a quality shopping experience and a wide range of value-for-money products. A comprehensive network of outlets ensures ease of access for customers and enables them to enjoy better living every day.

Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	*(Chairman)*
LAW Ping Wah Bernard	*(CFO)*
WONG Kin Yick Kenneth	*(Deputy CEO)*
LI Yuen Cheuk Thomas	

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

AUDIT COMMITTEE

LEUNG Ka Kui Johnny	*(chairman)*
WONG Chuk Yan	
CHAN Hak Sin	

REMUNERATION COMMITTEE

LEUNG Ka Kui Johnny	*(chairman)*
WONG Chuk Yan	
KWAN Pak Hoo Bankee	

QUALIFIED ACCOUNTANT

Yuen Pak Lau Raymond, *CPA*

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS*

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin Brown & Wood
Richards Butler

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F The Center
99 Queen's Road Central
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

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

CONTACTS

Telephone	:	(852) 2287 8888
Facsimile	:	(852) 2287 8000
Website	:	www.cash.com.hk

Bankee P KWAN
Chairman

Chairman's Letter

Dear fellow shareholders,

The CASH Group saw solid growth in 2005 as the pace of our expansion accelerated. During the year, our strategy of diversification in both our financial services and retail businesses remained on course and we made significant improvements in operating efficiencies and sales effectiveness.

In our financial services business, we strengthened our leading position in the market by launching an asset management service in order to take advantage of opportunities arising from the economic recovery. We also bolstered our presence in the wealth management field despite lacklustre market conditions. Additional financial planning managers and premium relationship managers were recruited to serve the increasing number of high-net-worth individuals in Hong Kong and synergies boosted by continuing to integrate our brokerage and wealth management businesses. Meanwhile, our investment banking division entered into agreements with several PRC corporations to sponsor listings in Hong Kong in anticipation of a booming capital market in the coming year.

The Group's retail business progressed steadily in 2005. During the year, we further built on our strong market recognition to reposition Pricerite Stores (PSL) to be a "neat and clean" specialist and enhanced its operating efficiencies. The move brought encouraging results, driving PSL's solid performance. Leveraging on our sound financials, strong brand recognition, and extensive experience, we expanded 3C Digital to capitalise on the booming demand for digital products among local trend-seekers and tourists. In addition, with the economy stabilising and employment prospects improving, we launched LifeZtore at the end of 2005 to meet the lifestyle needs of the higher-spending younger generation.

Overall, the CASH Group remains cautiously optimistic about economic prospects in Hong Kong in 2006. Firm exports and domestic demand should continue to provide support for local economic growth, albeit at a slower pace than previous years. With our talented staff team, commitment to excellence, strong brand recognition and focused strategies for product diversification and cost efficiency, we are confident of effectively dealing with any challenges that the year ahead may bring, including soaring rents, high oil prices and escalating interest rates.

Last but not least, I would like to take this opportunity to express my gratitude to our board members and management team for their diligent guidance and unstinting support, and to all staff members for their hard work, loyalty and wide-ranging contributions to the CASH Group during the past year.

Yours sincerely,

Bankee Kwan

Bankee P Kwan
Chairman

Financial Review

For the year ended 31 December 2005, the Group ceased to consolidate the sales and operating results of our retail group subsequent to CRMG being changed from a subsidiary to an associate company of the Group in May 2005.

The Group's financial services business (CFSG) 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. CFSG recorded a decrease in revenue to HK$213.6 million for the year ended 31 December 2005, as compared to HK$240.0 million in last year. The 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.

CRMG recorded a 1.3% slight decrease in turnover for 2005. The decrease in sales of household and furniture goods was brought about by the closure of 8 non-performing Pricerite's stores during the year under review, bringing the number of stores to 30 at the end of 2005. The closure of the non-performing stores has enabled CRMG to redefine its network strategy amid its already thin operating margin being eroded by the recent rampant rises in rental costs. During the year, CRMG had also finished revamping the product ranges and focused on choosing quality products with a view to helping customers keep their houses and living environments 'neat and clean'. The rationalisation of its retail network and product ranges had adversely affected the profit margin for 2005 but this would improve its operating efficiency and sharpen its competitive advantages in the retailing market in the long run. 3C Digital, CRMG's new chain stores selling trendy digital products, was still operating at a thin gross margins and had yet to contribute any profit to the Group for the year under review. Upon building up its brand awareness of selling quality digital products and distinguished customer service, 3C Digital had been appointed as one of the two distributors for some digital and electrical appliances products of a leading brand in the local market. Developing its retail business into the Mainland market has been the Group's long-term expansion strategy. During the year, CRMG completed the acquisition of the Oriental Kenzo (Beijing) Company Limited with its principal business of operating a department store in Beijing. To enable to concentrate its resources on the newly acquired business, CRMG had decided to close down all its retail outlets in Guangzhou and Shenzhen. CRMG reported a net operating loss for the year which was mainly attributable to its initial investment costs in 3C Digital and in its new retail chain stores named LifeZtore opened in the second half of 2005 retailing stylish furniture and household products, and the provisions made for the closure of non-performing Pricerite stores in Hong Kong, Guangzhou and Shenzhen.

Taking into account the profit from CFSG and its share of loss of CRMG and its persistent cost rationalisation across the board, the Group has managed to substantially contain a net loss attributable to shareholders for the whole year to HK$37.0 million from HK$144.0 million for the previous year.

Financial Review

Taking into account the reported loss for the year, the Group's total equity stood at HK$364.1 million on 31 December 2005. The cash and bank balances were HK$488.2 million at the end of the year, a reduction of HK$233.8 million as compared with the prior year-end. 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. The liquidity ratio on 31 December 2005 remained healthy at 1.3 times at the end of the year as compared with 1.2 times of the previous year-end.

Our total bank borrowings on 31 December 2005 increased to HK$251.3 million from HK$223.2 million on 31 December 2004. The increase in bank borrowings was mainly due to the directionless market, rendering the Hang Seng Index traded in its narrowest range of 16.4% since 1978, which made investors cautious in trading with margin financing. Most of these bank borrowings were collateralised by our margin clients' securities pledged to us for the purposes of securing financing from us. Apart from these largely of a back-to-back nature, we had no other bank borrowings as at the end of the year as we exercised prudence to abstain our financial resources from being strained.

During the year, CFSG 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$30.2 million at the end of the year. Together with this convertible loan note, the ratio for our interest bearing borrowings to total equity was 0.77 on 31 December 2005 as compared to 0.68 on 31 December 2004.

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 instrument to hedge any adverse changes in foreign exchange and interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant.

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 Group to a bank, the Group covenant to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. To this end, a bank deposit of approximately HK$16.2 million was held for this purpose. Save as aforesaid, we had no other material contingent liabilities.

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

Financial Review

On 15 September 2005, CFSG issued 132 million shares at a subscription price of HK$0.27 per share to the Group, raising a total of gross proceeds of HK$35.6 million. The proceeds were used as the general working capital of CFSG. In September 2005, CFSG announced a major transaction for the proposed acquisition of Netfield Technology Limited and its subsidiaries ("Netfield Group"), for a consideration of HK$110.0 million ("Netfield Acquisition") and several fund raising activities. The Netfield Group is an on-line game developer and operator in China. These transactions were approved by the shareholders at the special general meeting of CFSG held on 20 December 2005 and all had been completed subsequent to the balance sheet date in January 2006. The placing of 145 million shares in CFSG held by the Group to independent third parties at HK$0.40 each was completed on 23 September 2005. The corresponding top up of 145 million new shares in CFSG to the Group was then completed on 5 October 2005. The placing of 155 million shares in CFSG to various independent third parties at HK$0.40 each and the subscription of 120 million shares in CFSG by the Group at HK$0.40 each were completed subsequent to the balance sheet date on 10 January 2006. The total gross proceeds of HK$168.0 million were raised, of which HK$110.0 million was used for settling the consideration for the Netfield Acquisition, approximately HK$30.0 million was put into the operating capital of the Netfield Group, and the balance of approximately HK$28.0 million was used as the general working capital of CFSG. Subsequent to the balance sheet date on 18 January 2006, CFSG issued 60 million shares upon partial exercise by the noteholder of conversion right attaching to the convertible loan note issued by CFSG on 1 September 2004. Thus, the shareholding interest of the Group in CFSG was diluted to 46.30%, and CFSG ceased to be a subsidiary of the Group.

CRMG had the following transaction prior to its ceasing to be a subsidiary of the Group. In March 2005, CRMG announced a new share issue of 83 million new shares at a price of HK$0.28 per share to raise gross proceeds of HK$23.2 million for its general working capital. In April 2005, CRMG announced a placement of 223 million shares at a price of HK$0.30 per share to raise gross proceeds of HK$66.9 million for expansion of its retail businesses in the PRC and for its general working capital. The issue of the 83 million shares and the 223 million shares was completed on 6 April 2005 and 19 May 2005 respectively. In May 2005, CRMG announced a proposed cooperation to develop retail business in the PRC with AustChina Information Technology Pyt Limited and the issue of a convertible loan note for HK$108 million. The convertible loan note was issued on 15 August 2005. However, no investment opportunity had been identified by the parties and the agreement was expired on 31 October 2005.

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

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

Financial Review

Subsequent to the balance sheet date in February 2006, the Group announced (i) a major transaction for proposed acquisition of the Hong Kong retailing business of CRMG at a consideration of the lower of HK$140.0 million, or the aggregate of adjusted combined value of the entire interests of the Hong Kong retailing business as at 31 December 2005 and a premium of HK$20 million ("Retail Acquisition"); and (ii) a discloseable transaction for disposal of around 5% equity interest in CRMG at a total consideration of about HK$30 million ("Disposal"), the proceeds of which were for financing part of the consideration for the Retail Acquisition. The Retail Acquisition is subject to (inter alia) approval by shareholders of the Company at a special general meeting of the Company to be convened whereas the Disposal was completed on 27 February 2006. Details of the transactions were set out in the Company's announcements dated 21 February 2006 and 28 February 2006 respectively.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2005. There was no significant investment held during the year. We do not have any future plans for material investments or capital assets.


時富投資集團
CASH
時富

Management Discussion and Analysis

INDUSTRY AND ECONOMIC REVIEW

In 2005, despite a global economic growth against a backdrop of high oil prices and rising interest rates, the Hong Kong stock market was lacklustre, with the Hang Seng Index traded in its narrowest range of 16.4% since 1978.

On the other hand, the domestic economy exhibited a year of resilient growth amid external challenges. Macro-tightening in Mainland China, rising oil prices, and successive interest rate hikes in the US seemed to have little impact on the Hong Kong economy. The employment market continued to improve and GDP is expected to have grown 7.3% in 2005. Inflation remained benign despite record prices of crude oil and commodities. The property market appeared to hold strength on the back of rising mortgage rates. The opening of Disneyland Hong Kong marked another milestone for Hong Kong to consolidate its position to be a tourist centre. While the growth of tourists from Mainland China fell short of expectations, inbound tourism remained robust.

However, the situation for the furniture and household markets was not so encouraging, with the sector recording negative growth of 0.5% for total retail sales in 2005. The Composite Consumer Price Index (Composite CPI) for durable goods also faltered in 2005 – recording a year-on-year 2.4% fall in December – despite a general Composite CPI increase of 1.1% for 2005 as a whole.

Management Discussion and Analysis

Business Review – Financial Services Business

Throughout 2005, CFSG remained on course on the strategy of product and revenue diversification, both with a view to better service our clients as well as to minimise the impact on business performance by market cycles.

During the first half of the year when the domestic market was pedestrian, we focused our resources to upgrade the operating and trading systems to prepare for market upturn and future expansion.

We also launched our asset management service in June to capture opportunities inherent in the high-net-worth market, and to complement our strategy of providing a full suite of services to our clients. This newly added service has allowed us to continue to expand our customer base and to further leverage on the cross-selling synergy within the financial service group.

While we continue to grow our income from the relatively mature brokerage business, we concurrently look for new opportunities in business sectors with high-growth potential. In September, we announced our plan to enter the online game industry by acquiring Netfield Group. This new strategic acquisition will allow us to enhance shareholders' value by participating in the high-growth online business in China.

In 2005, we implemented a series of system enhancements of the online trading platform. The new platform will not only enable us to better serve our existing self-served, technology-savvy clients, but also place us in an advantageous position to compete in the premium mass-market segment.

Management Discussion and Analysis

Our core brokerage business continued to show steady and healthy growth during the year. The division grew its sales team by double-digit as part of the expansion strategy. The new strategic direction is to focus on the high turnover business as a way to compensate for the impact of reduced commission on the industry.

The wealth management business continued to report strong growth in both headcount and revenue during the year. Taking advantage of RMB revaluation pressure and high growth potential in China's property market, the division introduced a property investment vehicle to clients as part of the product enrichment and diversification initiatives. The new investment tool was well received by clients and has also attracted attention of prospective investors.

In investment banking, we continued to take steps to ensure that we are competitively positioned to provide medium-sized corporate clients with a full scope of financial advisory services. During the year, the investment banking division was very active in broadening and deepening client relationships and has recently entered into agreements with a few PRC corporations to sponsor their listings in 2006.

In an effort to raise our international recognition, CFSG brought in a new strategic investor, AvW Invest AG, an Austrian company listed in Vienna. The new alliance will assist us in making inroads into the European market and exploring cross-selling opportunities in Asia and Europe. Together with the Saudi Arabian investment partner ARTAR Group, this new alliance has broadened our shareholding base that now extends from Asia and Middle East to Europe.

Management Discussion and Analysis

Outlook for the Financial Services Business

Looking ahead into 2006, CFSG's focus is to increase turnover, increase market share, and expand client base through repositioning the brokerage strategy, enhancing online platform capability, strengthening cross-selling synergies within the financial services group, and expanding product offerings. With our commitment to excellence, dedication to servicing clients, and determination to create customer and shareholder value, we are confident that we will become the financial services house of choice for our clients through value-added services and enhanced client experience.

Business Review – Retail Business

With the economy gradually recovering, consumption spending appeared strongest among the younger generation. With this in mind, the retail group repositioned our PSL, developed 3C Digital and created LifeZtore over the year to target the trendier and higher-spending younger generation of consumers.

In 2005, the retail group was also renamed CASH Retail Management Group (CRMG) to fully reflect our current business and future development as a leading retail services and management group.

Pricerite Stores (PSL) – Repositioned for Future Growth

During the year, PSL was further repositioned to become a "neat and clean" specialist as we continued to strengthen provision in the "neat and clean" product categories. In line with this move, PSL launched a "neat and clean" promotional campaign, including a series of advertisements and new brand spokespeople. Our stores also underwent layout and design renovations to reflect the new positioning. The redesign brought the added benefit of improved sales per square foot, increasing the efficiency of store usage.

Management Discussion and Analysis

Provision of electrical appliances was also enhanced. A year-on-year double-digit growth in sales saw PSL become one of the market leaders in this category, with one solely distributed 32" LCD TV named the bestseller in an independent survey at the end of 2005. We will continue to consolidate our leadership position in this area and to form strategic alliances with key suppliers, such as Haier, the world's second-largest supplier of electrical appliances in terms of turnover.

Meanwhile, a review of profit and costing structures and rationalisation of our network saw the closure of stores that did not meet internal key performance indicators (KPIs). By the end of the year under review, all of the 30 stores were contributing positively to the retail group.

In relation to supply chain management, we boosted efficiency through infrastructure changes to PSL's household and furniture sections following an operations and systems review. We also produced an operations manual for management and staff.

PSL is now in a good position to look at growth and expansion. We will continue to leverage on our strong supply chain network to develop more private-label products. We will also focus on expanding the depth of our "neat and clean" products in order to become the "neat and clean" specialist of first choice. In the coming year, we plan to strengthen the PSL network to further penetrate the market and boost PSL's presence in new residential areas. In this regard, high rental costs remain our prime concern and the major constraint on network development.

3C Digital – Capitalising on the Digital Boom

The year under review saw strong demand for 3C Digital's trendy digital products, with a 6.9% year-on-year growth for electrical goods and photographic equipment, as shown in the HKSAR Government's total retail sales figures for 2005.

3C Digital focuses on innovative products and personalised services, which cater for the needs of our consumers. We also extended the depth of our core product offerings, such as notebook computers and mobile phones, in response to a continuous increase in demand. We will continue to provide popular products by forming strategic alliances with key suppliers who hold dominant market positions.

In line with our aim to reach the younger generation, 3C Digital's location strategy focused on high-traffic malls in key shopping areas, such as Times Square in Causeway Bay, apm in Kwun Tong, and New Town Plaza in Shatin. In addition, we launched an aggressive marketing campaign to build a unique brand image by using a young pop star as our brand spokesperson to appeal to our target customers.

In our first year of business, 3C Digital has become a major player in the sector and a market leader in certain categories, such as flat panel LCD TVs. This encouraging market response thus lays a good foundation for further expansion of the 3C Digital network.

LifeZtore – Born To Be a New Force

Economic restructuring is moving Hong Kong up the value chain, creating more high-salaried jobs, according to the HKSAR Government research. This shows the total number of full-time employees with a monthly income of HK$15,000 or above rose from 470,000 in 1995 to 790,000 in 2005, or from 21% to nearly one-third of the total number of full-time employees in Hong Kong.

Management Discussion and Analysis

Moreover, as the burden of negative equity eases and employment prospects stabilise in Hong Kong, the middle class has regained its willingness and ability to spend. Most are also showing that spending on improvements in their living conditions, including their home environment and lifestyle, is a priority.

This change in the economic outlook was the main driver behind the launch of LifeZtore at the end of 2005, with three stores opening in Hong Kong.

LifeZtore is a contemporary lifestyle concept retailer that provides authentic design items at affordable prices and an inspiring shopping environment for people with a passion for quality. Leveraging on the retail group's well-developed operating platform (human resources, administration, information technology, logistics and other back office support), LifeZtore focuses on contemporary furniture and houseware, created by an international design team and backed by merchandising expertise.

Building Strength in Mainland China

We have been testing the Mainland mass market by opening pilot PSL shops in the Guangdong area but have now opted out of this operational route as the pattern of mass-market consumption in the Mainland differs from the current PSL business model. We are now consolidating our experience and re-modelling our Mainland business plan. As the Mainland gradually migrates from an export-driven economy to a consumption-driven economy, we believe there is great potential in its consumer market.

During the year under review, the retail group acquired the Oriental Kenzo Department Store in Beijing to kick start retail operations in northern China. This acquisition also brings a full retail business licence, which allows chain store operations throughout the PRC.

The year also saw our Shenzhen support centre become fully operational, providing efficient back-office functions for the retail group, with operating costs reduced and operating efficiency increased. The support centre has also improved our sourcing capabilities in the Mainland, which has further enhanced the efficiency of our supply chain management system.

Management Discussion and Analysis

The Winning Team

People are central to the Group, be they customers, employees, suppliers, or shareholders.

The Group's mission states "our customers' interests always come first" and we give top priority to customer satisfaction. As our employees are the most important bridge to our customers, we therefore place great emphasis on improving our employees' approach to customer service, leadership and management skills; building internal cohesion; and cultivating a strong culture of professional sales and quality service.

During 2005, intensive customer service training and team building exercises were carried out, together with a restructuring of our senior management team.

The success of our approach to customer service and satisfaction was further recognised when two PSL staff members received Outstanding Young Salesperson Awards from the Hong Kong Management Association. A PSL staff member also gained the Service and Courtesy Award from the Hong Kong Retail Management Association during 2005.

We will continue to enhance our service standards and quality of employees through staff training and service culture development.

Outlook for the retail business

Looking ahead, we are cautiously optimistic about the retail industry in Hong Kong. The gradual economic recovery has presented opportunities for us to build on our 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. We are 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.

As such, in February 2006, it was proposed that our retail group focuses resources and well-established infrastructure on developing our retail business in the Mainland, while we, take up its Hong Kong retail business so as to better delineate resources for parallel growth and development.

Employee Information

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

BOARD OF DIRECTORS

(Left to right)

Thomas Yuen Cheuk LI	*Executive Director*
Bankee Pak Hoo KWAN	*Chairman*
Bernard Ping Wah LAW	*CFO*
Kenneth Kin Yick WONG	*Deputy CEO*

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 46, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Board on 9 March 1998. He is in charge of the Group's strategic business development and executive management. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary member of the Board of Trustees of Nanjing University, PRC and an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, and an advisory professor of Nanjing University, PRC. Mr Kwan is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and the chairman of the Hong Kong Retail Management Association. Mr Kwan is also the substantial shareholder of the Company and the chairman of CFSG and CRMG. Mr Kwan is also a member of the remuneration committee of the Company, CFSG and CRMG.

Bernard Ping-wah LAW

CFO, 47, MBA, FCCA, FCPA, MHKSI

Mr Bernard Law joined the Board on 9 March 1998. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CFSG and CRMG.

Kenneth Kin-yick WONG

Deputy CEO, 48, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000 and was appointed to the Board on 3 November 2003. He is in charge of the Group's business development in the Greater China region and the financial services businesses. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking. Mr Wong is also the CEO of CFSG.

Directors' Profile

Thomas Yuen-cheuk LI

Executive Director, 44, MBA, BBA, MHKSI

Mr Thomas Li joined the Board on 6 May 1998. He is the president of the Group's business development in China and participates in the Group's retailing business in Hong Kong. Mr Li has extensive experience in marketing and general management. Before joining the Group, he held senior executive positions of several leading international banks in Hong Kong and was responsible for business and marketing development, and corporate management. Mr Li is also an executive director of CRMG.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johnny Ka-kui LEUNG

Independent Non-executive Director, 48, LL.B

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee of the Company, and is also an independent non-executive director and a member of the audit committee of CRMG.

Chuk-yan WONG

Independent Non-executive Director, 44, MSc (Business Administration), BBA, CFA, CGA

Mr Wong joined the Independent Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong is also a member of the Audit Committee and the Remuneration Committee of the Company.

Hak-sin CHAN

Independent Non-executive Director, 44, PhD, MBA, BBA

Dr Chan joined the Independent Board on 25 October 2000. Dr Chan has extensive experience in the academia in the USA as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan is also a member of the Audit Committee of the Company.

Corporate Governance Report

This corporate governance report ("CG Report") presents the corporate governance matters during the period covering the financial period ended 31 December 2005 and up to the date of the Annual Report to which this CG Report is inscribed ("CG Period") required to be disclosed under the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

On 1 June 2005 ("Adoption Date"), the Board adopted a set of corporate governance principles ("Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each Director in respect of the due compliance of the rules and principles relevant to the Securities Code. During the CG Period, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code		Deviation
Before the Adoption Date		
A.1.1	Full board meetings shall be convened to be held at least 4 times yearly at approximately quarterly intervals	• Before the Adoption Date, the Company convened to hold full Board meeting only twice for each financial year, and had not held a full Board meeting for the first quarter of 2005. • Since the Adoption Date, full Board meeting has been and will be convened to be held for each financial quarter.
A.2.1	The roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	• Before the Adoption Date, the Chairman and the CEO had been the same person during the initial period of the CG Period. • Since the Adoption Date, the defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all Executive Directors ("ED(s)"). Since the Adoption Date, the Company has not maintained a CEO.

Corporate Governance Report

CG Code		Deviation
Before the Adoption Date		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election	• Before the Adoption Date, all the Independent Non-executive Directors ("INED(s)") were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws. • With effect from or before the Adoption Date, the term of office for each then INED had been fixed for one year commencing retrospectively from the date of the 2005 annual general meeting of the Company until the next annual general meeting of the Company, at which all of them shall retire, but be eligible for re-election.
A.4.2	Every director should be subject to retirement by rotation at least once every 3 years	• Before the Adoption Date, there were no fixed terms for all the Directors to retire at annual general meeting of the Company and the Chairman of the Board was not subject to retirement at annual general meeting of the Company in each year. • With effect from or before the Adoption Date, all EDs, including the Chairman of the Board, shall retire, but be eligible for re-election, at least once in every 3 financial years at annual general meeting of the Company.
A.6.1	Agenda and the board papers should be despatched at least 3 days before the meeting	• Before the Adoption Date, the Audit Committee papers and the Board papers might not have been sent at least 3 days before the Audit Committee meetings and the Board meetings for approving the financial results. • Since the Adoption Date, the terms in relation to the despatch of the Audit Committee papers and the Board papers under the Principles had not been violated.

CG Code		Deviation
Before the Adoption Date		
B.1.1	A remuneration committee should be set up with majority members to be INEDs	• Before the Adoption Date, the Company had not set up a Remuneration Committee. • Since the Adoption Date, the Company has maintained a Remuneration Committee with specific written terms of reference comprising 2 INEDs and an ED.

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

BOARD OF DIRECTORS

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

- 4 meetings of the full Board
- 4 meetings of the EDs

All the 4 full Board meetings were held to discuss and/or approve the annual/quarterly financial performance/ results of the Group. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters, and the corporate movements and decisions.

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

Director	Board capacity	Appointment/ Resignation during the CG Period	Attendance Full Board meetings	Attendance ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		4/4	4/4
Mr Law Ping Wah Bernard	ED & CFO		4/4	4/4
Mr Wong Kin Yick Kenneth	ED & Deputy CEO		4/4	4/4
Mr Li Yuen Cheuk Thomas	ED		4/4	4/4
Ms Kwok Oi Kuen Joan Elmond	ED	resigned on 13 April 2006	3/3	4/4
Mr Miao Wen Hao Felix	ED	resigned on 30 September 2005	2/2	1/2
Mr Chan Yau Ching Bob	ED	resigned on 28 February 2005	0/0	0/0
Mr Leung Ka Kui Johnny	INED		3/4	N/A
Mr Wong Chuk Yan	INED		3/4	N/A
Dr Chan Hak Sin	INED		2/4	N/A

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

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

REMUNERATION COMMITTEE

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable;

- review and approval of performance-based remuneration of each Director (if any) by reference to achievement goals and objectives set by the Board;

- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and

- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Remuneration Committee. The most updated version of the terms of reference of the Remuneration Committee has been posted onto the corporate website of the Company since the Adoption Date.

For the financial period under review, the Remuneration Committee had held 1 physical meeting for the purpose of considering the remuneration of the Directors.

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

Member	Board capacity	Attendance
Mr Leung Ka Kui Johnny	INED	1/1
Mr Wong Chuk Yan	INED	1/1
Mr Kwan Pak Hoo Bankee	Chairman of the Board	1/1

The chairman of the Remuneration Committee since its establishment has been Mr Leung Ka Kui Johnny.

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

- endorsement to the remuneration policy for the Directors;

- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

REMUNERATION POLICY FOR DIRECTORS

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

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

The remuneration of EDs generally consists of:

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

The remuneration of NEDs will be a lump sum of management fee made annually.

DIRECTORS' REMUNERATION

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

The share options granted to and/or entitled by the Directors during the financial period under review are inscribed in the section headed "Directors' Interests in Securities" of the Directors' Report.

NOMINATION OF DIRECTORS

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

Since the Adoption Date, the Company has adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

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

During the CG Period, 3 meetings were held by the EDs in resolving for the acceptance of the resignation of three ex-Directors. The attendances of the EDs were as follows:

Director	Attendance
Mr Kwan Pak Hoo Bankee	3/3
Mr Law Ping Wah Bernard	3/3
Mr Wong Kin Yick Kenneth	1/3
Mr Li Yuen Cheuk Thomas	2/3
Ms Kwok Oi Kuen Joan Elmond (resigned on 13 April 2006)	2/2
Mr Miao Wen Hao Felix (resigned on 30 September 2005)	0/0
Mr Chan Yau Ching Bob (resigned on 28 February 2005)	0/0

AUDIT COMMITTEE

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

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- consideration and reviewing the appointment of the Auditors and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and each version was endorsed and adopted by the then Audit Committee. The most updated version of the terms of reference of the Audit Committee has been posted onto the corporate website of the Company since the Adoption Date.

For the financial period under review, the Audit Committee had held 4 physical meetings for discussing and/or approving the periodic financial results of the Group.

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

Member	Board capacity	Attendance
Mr Leung Ka Kui Johnny	INED	4/4
Mr Wong Chuk Yan	INED	4/4
Dr Chan Hak Sin	INED	3/4

Before the Adoption Date, there was no defined chairmanship of the Audit Committee. Since the Adoption Date, the chairman of the Audit Committee has been Mr Leung Ka Kui Johnny.

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

AUDITORS' REMUNERATION

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

	Fee amount (HK$)
Audit service	2,410,000
Non-audit services:	
– Preparation of accountants' report for a possible very substantial disposal in respect of deemed disposal by the Company of its shareholding interest in CRMG as a result of the issue of the conversion shares by CRMG upon the full conversion of the convertible loan note for each of the three years ended 31 December 2004 and review of sufficiency of working capital, pro-forma consolidated income statement, consolidated balance sheet and consolidated cash flow statements and statement of indebtedness of the remaining group	390,000
– Preparation of accountants' report for the major transactions of acquisition of online game business by CFSG, audit for online game business for the period ended 31 December 2004 and the period ended 31 August 2005 and review of sufficiency of working capital, pro-forma statement of assets and liabilities and statement of indebtedness of the enlarged group	900,000
Total	3,700,000

The non-audit services arose from the requirement of accounting performance required under the Listing Rules for several corporate transactions of the Group which took place during the financial period under review.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

REVIEW OF INTERNAL CONTROL

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 13 April 2006

Audit Committee Report

The Audit Committee of the Company was established on 28 June 1999. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the financial period under review, the Audit Committee comprised all the INEDs of the Company at all times.

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

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

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

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

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

- reviewed the Company's statement on internal control.

After the due and careful consideration of the reports from the management of the Group and the Auditors, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found, and concluded that the system of internal controls was adequate and effective.

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

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

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

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

Audit Committee Members:
LEUNG Ka Kui Johnny *(chairman of the Audit Committee)*
WONG Chuk Yan
CHAN Hak Sin

Hong Kong, 13 April 2006

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year (when CRMG remained as a subsidiary of the Group before May 2005) consisted 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 via CRMG, (c) investment holding. CFSG had also ceased to be a subsidiary of the Group subsequent to the balance sheet date on 18 January 2006.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 46 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2005 is set out on page 138 of this Annual Report.

PROPERTY AND EQUIPMENT

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

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 48 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 38 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

As at 31 December 2005, the Company had no reserves available for distribution to shareholders, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$99,512,000.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee	
Law Ping Wah Bernard	
Wong Kin Yick Kenneth	
Li Yuen Cheuk Thomas	
Kwok Oi Kuen Joan Elmond	(resigned on 13 April 2006)
Miao Wen Hao Felix	(resigned on 30 September 2005)
Chan Yau Ching Bob	(resigned on 28 February 2005)

Independent Non-executive Directors:

Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin

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

(i) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard shall retire at least once in every three financial years at annual general meeting of the Company in accordance with the corporate governance code; and

(ii) Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 46 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company and its subsidiaries was a party during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 44 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, 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 Securities and Futures Ordinance ("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

		Number of shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	0.57
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.62
		10,298,075	164,028,376	39.84

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

2. Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2005	lapsed during the year (Note (1))	outstanding as at 31 December 2005	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	(3)	3,000,000	(3,000,000)	–	–
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	(3,000,000)	–	–
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	(1,000,000)	–	–
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	(1,000,000)	–	–
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	(3,000,000)	–	–
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502	(4)	1,000,000	(1,000,000)	N/A	N/A
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2005	0.502	(4)	3,000,000	(3,000,000)	N/A	N/A
					15,000,000	(15,000,000)	–	–

Notes:

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

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

(3) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

(4) Mr Miao Wen Hao Felix and Mr Chan Yau Ching Bob resigned as Directors of the Company during the year.

(5) The options are held by the Directors in the capacity of beneficial owner.

B. Associated corporations (within the meaning of SFO)

1. CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	534,219,434*	51.12
Wong Kin Yick Kenneth	Beneficial owner	1,720,000	–	0.16
		1,720,000	534,219,434	51.28

* The shares were held as to 518,827,434 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company, and as to 15,392,000 shares by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2005	granted during the year	lapsed during the year (Note (1))	outstanding as at 31 December 2005	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.34	(4)	3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,500,000	–	7,500,000	0.72
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.34	(3)	3,185,000	N/A	(3,185,000)	N/A	N/A
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2005	0.34	(3)	3,185,000	N/A	(3,185,000)	N/A	N/A
					22,295,000	38,700,000	(22,295,000)	38,700,000	3.72

Notes:

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

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

(3) Mr Miao Wen Hao and Mr Chan Yau Ching Bob resigned as Directors of the Company during the year.

(4) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

(5) The options are held by the Directors in the capacity of beneficial owner.

2. CRMG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	446,572,587*	40.88

* The shares were held as to 443,572,587 shares by CIGL and its subsidiaries and as to 3,000,000 shares by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Number of options: outstanding as at 1 January 2005	exercised during the year (Note (1))	outstanding as at 31 December 2005	Percentage to issued shares as at 31 December 2005 (%)
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	0.316	2,833,333	(2,833,333)	–	–
Li Yuen Cheuk Thomas	2/12/2003	1/12/2004 – 30/11/2005	0.316	2,833,333	(2,833,333)	–	–
				5,666,666	(5,666,666)	–	–

Notes:

(1) On 17 May 2005, 5,666,666 share options of CRMG were exercised at the exercise price of HK$0.316 per share. The weighted average closing price of the CRMG's shares immediately before the date of exercise was HK$0.78 per share.

(2) No options was granted, lapsed or cancelled during the year.

(3) The options are held by the Directors in the capacity of beneficial owner.

Save as disclosed above, as at the 31 December 2005, 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).

SHARE OPTION SCHEMES

The Company

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes during the year are set out in note 43(A) to the financial statements.

The subsidiary

CFSG had also adopted its share option schemes. Particulars of the share option schemes of CFSG and details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG granted under the share option schemes during the year are set out in notes 43(B) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc ("Jeffnet") (Note (1))	Trustee of a discretionary trust	164,028,376	37.49
Cash Guardian (Note (1))	Interest in a controlled corporation	164,028,376	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	72,000,000	16.46
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	72,000,000	16.46

Notes:

(1) This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

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

Save as disclosed above, at 31 December 2005, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the year ended 31 December 2005.

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$1,052,000.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 47 to the financial statements.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 13 April 2006

Auditors' Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements on pages 46 to 137 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda (as amended) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 13 April 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Continuing operations			
Revenue	7	**213,620**	247,420
Cost of sales		**–**	(7,138)
Other operating income		**3,480**	9,191
Reversal of allowance (Allowance) for bad and doubtful debts		**702**	(1,361)
Recovery of bad debts		**8,294**	–
Convertible loan note settlement expenses		**(85)**	(310)
Salaries, allowances and commission	9	**(123,970)**	(137,325)
Other operating, administrative and selling expenses		**(70,879)**	(113,446)
Depreciation of property and equipment		**(11,656)**	(17,410)
Finance costs	10	**(16,984)**	(8,721)
Net loss on investments held for trading		**(6,632)**	–
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		**–**	(24,327)
Gain (Loss) on disposal of property and equipment		**6,773**	(100)
Gain on dilution of shareholding in subsidiary and associate		**16,289**	–
Share of loss of associate	22	**(26,728)**	–
Impairment loss recognised in respect of available-for-sale investments/investment securities	20	**(10,800)**	(15,500)
Impairment loss recognised in respect of goodwill		**–**	(10,000)
Loss before taxation	13	**(18,576)**	(79,027)
Taxation credit (charge)	14	**2,999**	(350)
Loss for the year from continuing operations		**(15,577)**	(79,377)
Discontinued operation			
Loss for the period/year from discontinued operation	15	**(11,482)**	(82,617)
Loss for the year		**(27,059)**	(161,994)
Attributable to:			
Equity holders of the Company		**(37,022)**	(143,954)
Minority interests		**9,963**	(18,040)
		(27,059)	(161,994)
Loss per share	16		
From continuing and discontinued operations:			
– Basic		**HK$(0.08)**	HK$(0.37)
From continuing operations:			
– Basic		**HK$(0.06)**	HK$(0.23)

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property and equipment	17	**12,802**	100,497
Prepaid lease payments	18	**–**	48,244
Investment securities	19	**–**	10,800
Goodwill	21	**17,426**	57,199
Interest in associate	22	**103,870**	–
Intangible assets	23	**11,261**	9,092
Other assets	25	**7,564**	13,346
Loan receivables	26	**725**	19,334
Deposits for acquisition	27	**56,095**	–
		209,743	258,512
Current assets			
Inventories	28	**–**	59,013
Deferred tax assets	14	**3,940**	–
Account receivables	29	**469,772**	365,047
Loan receivables	26	**38,460**	20,623
Prepayments, deposits and other receivables	30	**19,580**	44,896
Listed investments held for trading	31	**35,467**	–
Other investments	19	**–**	64,700
Derivative financial instrument	32	**16**	–
Bank deposits under conditions	33	**17,125**	52,784
Bank balances – trust and segregated accounts	30	**352,902**	433,156
Bank balances (general accounts) and cash	30	**118,219**	236,147
		1,055,481	1,276,366
Current liabilities			
Account payables	34	**581,965**	784,990
Accrued liabilities and other payables	30	**35,801**	97,901
Taxation payable		**1,525**	729
Obligations under finance leases – amount due within one year	35	**150**	93
Bank borrowings – amount due within one year	36	**171,737**	181,777
Convertible loan note – amount due within one year	37	**30,242**	–
		821,420	1,065,490
Net current assets		**234,061**	210,876
		443,804	469,388

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Capital and reserves			
Share capital	38	**43,748**	43,748
Reserves		**139,596**	176,817
Equity attributable to equity holders of the Company		**183,344**	220,565
Equity component of convertible loan note and share option reserve of a listed subsidiary		**1,464**	1,451
Minority interests		**179,273**	166,086
Total equity		**364,081**	388,102
Non-current liabilities			
Obligations under finance leases – amount due after one year	35	**159**	–
Bank borrowings – amount due after one year	36	**79,564**	41,452
Convertible loan note – amount due after one year	37	**–**	39,834
		79,723	81,286
		443,804	469,388

The financial statements on pages 46 to 137 were approved and authorised for issue by the board of Directors on 13 April 2006 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Operating activities			
Loss before taxation		**(30,058)**	(161,638)
Adjustments for:			
Convertible loan note settlement expense		**85**	310
Advertising and telecommunication services expenses	40	**–**	11,213
(Reversal of allowance) Allowance for bad and doubtful debts		**(702)**	7,630
Allowance for inventory obsolescence and write-off of inventories		**–**	19,041
Amortisation of intangible assets		**–**	1,830
Amortisation of goodwill		**–**	6,928
Amortisation of prepaid lease payments		**186**	646
Depreciation of property and equipment		**21,675**	43,602
Employee share option benefits		**203**	219
Loss (Gain) on deemed disposal of CRMG		**974**	(769)
Dividends from investments		**(143)**	(1,015)
Gain on dilution of shareholding in subsidiary and associate		**(16,289)**	–
Impairment loss recognised in respect of available-for-sale investments/investment securities		**10,800**	15,500
Impairment loss recognised in respect of goodwill		**–**	10,000
Impairment loss recognised in respect of property and equipment		**–**	2,060
Interest expenses		**19,240**	11,759
(Gain) Loss on disposal of property and equipment		**(6,773)**	4,746
Increase in fair value of derivative financial instrument		**(64)**	–
Share of loss of associate		**26,728**	–
Operating cashflow before movements in working capital		**25,862**	(27,938)
Increase in inventories		**–**	(16,759)
(Increase) Decrease in account receivables		**(106,777)**	131,457
Decrease (Increase) in loan receivables		**1,670**	(38,118)
(Increase) Decrease in prepayments, deposits and other receivables		**(3,822)**	26,022
Decrease (Increase) in listed investments held for trading/other investments		**10,150**	(3,500)
Decrease (Increase) in bank balances – trust and segregated accounts		**80,254**	(51,100)
(Decrease) Increase in account payables		**(34,941)**	45,511
(Decrease) Increase in accrued liabilities and other payables		**(41,098)**	25,254
Cash (used in) from operations		**(68,702)**	90,829
Hong Kong Profits Tax paid		**–**	(134)
Dividends received		**143**	1,015
Interest paid		**(17,874)**	(11,376)
Net cash (used in) from operating activities		**(86,433)**	80,334

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	**2005 HK$'000**	2004 HK$'000 (restated)
Investing activities			
Deposit payment for acquisition of online game business by CFSG		**(56,095)**	–
Additional payment for acquisition of a subsidiary	21(i)	**–**	(1,400)
Increase in bank deposits under conditions		**(343)**	(16,219)
Expenses paid for subscription of CFSG's rights shares		**–**	(800)
Proceeds from disposal of property and equipment		**43,279**	381
Purchase of property and equipment		**(7,539)**	(67,151)
Purchase of other investments		**–**	(10,800)
Statutory and other deposits paid		**(947)**	(1,601)
Deemed disposals of subsidiaries (net of cash and cash equivalents disposed)		**(163,232)**	–
Net cash used in investing activities		**(184,877)**	(97,590)
Financing activities			
Decrease in trust receipt loans		**–**	(3,782)
Increase (Decrease) in bank loans		**116,805**	(86,603)
Decrease in bank overdrafts		**(10,373)**	(28,328)
Repayments of obligations under finance leases		**(221)**	(537)
(Repayments) Proceeds on issue of convertible loan note		**(10,000)**	40,500
Proceeds on issue of shares		**–**	23,760
Share issue expenses		**–**	(655)
Contributions from minority shareholders		**62,230**	66,476
Dividend paid to minority shareholders by CFSG		**(3,677)**	–
Interest paid on obligations under finance leases		**(15)**	(22)
Share issue expenses paid by CFSG and CRMG		**(300)**	(3,330)
Interest paid on convertible loan note		**(1,067)**	–
Net cash from financing activities		**153,382**	7,479
Net decrease in cash and cash equivalents		**(117,928)**	(9,777)
Cash and cash equivalents at beginning of year		**236,147**	245,924
Cash and cash equivalents at end of year		**118,219**	236,147
Being:			
Bank balances (general accounts) and cash		**118,219**	236,147

Notes to the Financial Statements

For the year ended 31 December 2005

1. GENERAL

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

Business combinations

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Share-based payments

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

Financial instruments

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

Convertible loan note

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Convertible loan note (continued)

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

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

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

Classification and measurement of financial assets and financial liabilities

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

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

Derivatives

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Owner-occupied leasehold interest in land

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

Intangible assets

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

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

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

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

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs (continued)

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

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

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs (continued)

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

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

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs (continued)

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

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

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

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

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

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

Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

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

Investment in associate

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

Property and equipment

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

Depreciation is provided to write off the cost of items of property and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rate per annum:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

Leasing

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Retirement benefit costs

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

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

On initial recognition, intangible assets acquired are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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

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

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

Financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Available-for-sale financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

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

Financial liabilities

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

Convertible loan note

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible loan note (continued)

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

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provisions

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

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

For share options granted after 7 November 2002 but not yet vested before 1 January 2005 and those options granted after 1 January 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expenses in full at the grant date when share options granted vested immediately, with a corresponding increase in equity (share-based payment reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to other reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for bad and doubtful debts

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

Estimated impairment of goodwill

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The Directors monitor the foreign exchange risk and will enter into leveraged foreign exchange contracts to mitigate the foreign currency risk.

Equity price risk

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

Interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivable. In addition, the Group reviews the recoverable amount for each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

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

Liquidity risk

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

7. REVENUE

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

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

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

Geographical segments

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

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2005

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2005

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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
Reversal of allowance for bad and doubtful debts	(702)	–	–	(702)	–	(702)
Recovery of bad debts	–	–	8,294	8,294	–	8,294
Depreciation of property and equipment	10,606	–	1,050	11,656	10,019	21,675
Amortisation of prepaid lease payments	–	–	186	186	–	186
Impairment loss recognised in respect of available-for-sale investments	–	–	10,800	10,800	–	10,800
(Gain) Loss on dilution of shareholding in subsidiary and associate	(8,423)	–	(8,840)	(17,263)	974	(16,289)
Gain on disposal of property and equipment	(43)	–	(6,730)	(6,773)	–	(6,773)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2004

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2004

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2004

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

9. SALARIES, ALLOWANCES AND COMMISSION

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

10. FINANCE COSTS

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

11. DIRECTORS' REMUNERATION

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

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

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

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

11. DIRECTORS' REMUNERATION (continued)

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

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

12. EMPLOYEES' REMUNERATION

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

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

Their remuneration were within the following band:

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

13. LOSS BEFORE TAXATION

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

14. TAXATION (CREDIT) CHARGE

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

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

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

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

14. TAXATION (CREDIT) CHARGE (continued)

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

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

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

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

15. DISCONTINUED OPERATION

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

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

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

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

15. DISCONTINUED OPERATION (continued)

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

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

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

16. LOSS PER SHARE

From continuing and discontinued operations

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

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

Loss per share

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

16. LOSS PER SHARE (continued)

From continuing operations

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

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

Loss per share

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

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

From discontinued operation

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

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

16. LOSS PER SHARE (continued)

Loss per share

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

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

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

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

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

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

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

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

17. PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST						
At 1 January 2004						
– as originally stated	55,000	10,000	96,970	186,388	3,360	351,718
– effect on adopting HKAS 17	(18,807)	–	–	–	–	(18,807)
– as restated	36,193	10,000	96,970	186,388	3,360	332,911
Additions	7,350	–	9,863	17,908	–	35,121
Disposals	–	–	(12,848)	(11,248)	(220)	(24,316)
At 31 December 2004 and 1 January 2005	43,543	10,000	93,985	193,048	3,140	343,716
Additions	–	–	5,547	1,526	466	7,539
Disposals	(9,780)	(10,000)	(1,924)	(55,760)	(350)	(77,814)
Deemed disposal of subsidiary	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005	–	–	44,004	60,485	1,840	106,329
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2004						
– as originally stated	21,668	10,000	53,888	131,136	954	217,646
– effect on adopting HKAS 17	(900)	–	–	–	–	(900)
– as restated	20,768	10,000	53,888	131,136	954	216,746
Provided for the year	1,883	–	18,079	22,497	1,143	43,602
Impairment loss recognised in the income statement	–	–	899	1,161	–	2,060
Eliminated on disposals	–	–	(10,214)	(8,892)	(83)	(19,189)

17. PROPERTY AND EQUIPMENT (continued)

	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
At 31 December 2004 and 1 January 2005	22,651	10,000	62,652	145,902	2,014	243,219
Provided for the year	712	–	10,168	10,423	372	21,675
Eliminated on disposals	(6,045)	(10,000)	(1,924)	(54,941)	(7)	(72,917)
Eliminated on deemed disposal of subsidiary	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005	–	–	36,057	56,097	1,373	93,527
NET BOOK VALUES						
At 31 December 2005	–	–	7,947	4,388	467	12,802
At 31 December 2004	20,892	–	31,333	47,146	1,126	100,497

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

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

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

18. PREPAID LEASE PAYMENTS

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

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

19. INVESTMENTS IN SECURITIES

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

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

20. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

21. GOODWILL

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

Notes:

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

21. GOODWILL (continued)

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

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

22. INTEREST IN ASSOCIATE

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

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

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

22. INTEREST IN ASSOCIATE (continued)

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

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

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

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

23. INTANGIBLE ASSETS

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

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

23. INTANGIBLE ASSETS (continued)

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

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

24. IMPAIRMENT TESTINGS ON GOODWILL AND TRADING RIGHTS

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 21 and 23 respectively have been allocated to the following cash generating unit ("CGU"). The carrying amounts of goodwill and trading rights (net of accumulated impairment losses) as at 31 December 2005 allocated to this unit are as follows:

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

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

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

25. OTHER ASSETS

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

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

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

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

26. LOAN RECEIVABLES

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

All the loan receivables are denominated in Hong Kong dollars.

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

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

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

26. LOAN RECEIVABLES (continued)

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

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

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

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

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

27. DEPOSITS FOR ACQUISITION

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

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

27. DEPOSITS FOR ACQUISITION (continued)

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

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

28. INVENTORIES

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

29. ACCOUNT RECEIVABLES

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

29. ACCOUNT RECEIVABLES (continued)

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

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

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

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

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

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

29. ACCOUNT RECEIVABLES (continued)

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

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

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

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

30. OTHER FINANCIAL ASSETS AND LIABILITIES

Prepayments, deposits and other receivables

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

Bank balances – trust and segregated accounts

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

30. OTHER FINANCIAL ASSETS AND LIABILITIES

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less. The fair values of these assets at the balance sheet date approximate their carrying amounts.

Accrued liabilities and other payables

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

31. INVESTMENTS HELD FOR TRADING

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

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

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

32. DERIVATIVE FINANCIAL INSTRUMENT

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

32. DERIVATIVE FINANCIAL INSTRUMENT (continued)

Major terms of the interest rate swap are as follows:

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

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

33. BANK DEPOSITS UNDER CONDITIONS

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

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

Notes:

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

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

34. ACCOUNT PAYABLES

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

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

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

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

The account payables amounting to HK$352,902,000 (2004: HK$433,156,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

35. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

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

36. BANK BORROWINGS

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

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

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

36. BANK BORROWINGS (continued)

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

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

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

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

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 33).

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

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

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

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

37. CONVERTIBLE LOAN NOTE

Convertible loan note issued by CFSG

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

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

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

37. CONVERTIBLE LOAN NOTE (continued)

Convertible loan note issued by CFSG (continued)

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

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

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

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

38. SHARE CAPITAL

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

Notes:

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

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

39. DEEMED DISPOSAL OF A SUBSIDIARY

During the financial year, CRMG undertook the following transactions:

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

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

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

39. DEEMED DISPOSAL OF A SUBSIDIARY (continued)

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

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

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

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

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

40. MAJOR NON-CASH TRANSACTIONS

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

41. CONTINGENT LIABILITIES

Company and subsidiaries

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

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

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

41. CONTINGENT LIABILITIES (continued)

Associate

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

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

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

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

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

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

42. OPERATING LEASE COMMITMENTS

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

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

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

43. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

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

(i) The purpose was to provide incentives to:

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

43. SHARE OPTION SCHEMES (continued)

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

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

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

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 43,748,382 shares, representing 10% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

43. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

Notes:

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

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

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

There was no outstanding share option at 31 December 2005.

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG

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

(i) The purpose was to provide incentives to:

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

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

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

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

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

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

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

Notes:

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

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

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

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

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

(6) No option was cancelled during the year.

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

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

44. RETIREMENT BENEFITS SCHEME

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

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

45. COMMITMENTS

(a) Underwriting commitment

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

45. COMMITMENTS (continued)

(b) Capital commitments

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

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

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

46. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

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

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

46. RELATED PARTY TRANSACTIONS

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

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

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

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

47. POST BALANCE SHEET EVENTS

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

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

47. POST BALANCE SHEET EVENTS (continued)

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

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

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

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

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

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

47. POST BALANCE SHEET EVENTS (continued)

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

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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	51.12	49.65	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	51.12	49.65	Money lending
CSL	Hong Kong	Ordinary HK$140,000,000	51.12	49.65	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	51.12	49.65	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	Ordinary HK$1,000,000	35.79**	34.76	Financial advisory consultancy

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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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

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

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

Five Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
		(Note ii)	(Notes i and ii)	(Notes i and ii)	(Notes i and ii)
Turnover					
Continuing operations	**213,620**	247,420	197,825	212,710	255,429
Discontinued operation	**374,525**	876,969	836,006	889,918	748,633
	588,145	1,124,389	1,033,831	1,102,628	1,004,062
Loss before taxation					
Continuing operations	**(18,576)**	(79,027)	(21,960)	(470,055)	(450,399)
Discontinued operation	**(11,482)**	(82,611)	(29,925)	(96,856)	(28,843)
	(30,058)	(161,638)	(51,885)	(566,911)	(479,242)
Taxation (charge) credit	**2,999**	(356)	(134)	1,779	152
Loss for the year	**(27,059)**	(161,994)	(52,019)	(565,132)	(479,090)
Attributable to:					
Equity holders of the Company	**(37,022)**	(143,954)	(52,539)	(442,896)	(451,902)
Minority interests	**9,963**	(18,040)	520	(122,236)	(27,188)
	(27,059)	(161,994)	(52,019)	(565,132)	(479,090)

Five Year Financial Summary

ASSETS AND LIABILITIES

	As at 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated) (Note ii)	(restated) (Notes i and ii)	(restated) (Notes i and ii)	(restated) (Notes i and ii)
Property and equipment	**12,802**	100,497	126,903	183,019	229,059
Prepaid lease payments (non-current)	**–**	48,244	6,865	6,998	7,132
Investment securities	**–**	10,800	15,500	–	57,000
Goodwill	**17,426**	57,199	70,808	55,260	88,604
Interest in associate	**103,870**	–	–	–	164,466
Intangible assets	**11,261**	9,092	10,922	12,752	14,582
Other non-current assets	**64,384**	32,680	21,504	33,408	96,713
Current assets	**1,055,481**	1,276,366	1,364,649	938,688	1,254,452
Total assets	**1,265,224**	1,534,878	1,617,151	1,230,125	1,912,008
Current liabilities	**821,420**	1,065,490	1,134,550	778,860	810,387
Long term borrowings	**79,564**	81,286	19,626	753	749
Other non-current liabilities	**159**	–	–	–	–
Total liabilities	**901,143**	1,146,776	1,154,176	779,613	811,136
Net assets	**364,081**	388,102	462,975	450,512	1,100,872
Equity attributable to equity holders of the Company	**183,344**	220,565	340,001	375,015	902,281
Equity component of convertible loan note and share option reserve of a listed subsidiary	**1,464**	1,451	1,764	2,823	3,681
Minority interests	**179,273**	166,086	121,210	72,674	194,910
	364,081	388,102	462,975	450,512	1,100,872

Five Year Financial Summary

Notes:

(i) By 31 December 2003, loss on trading of securities, options and futures were classified as one of the items in revenue. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the revenue of these prior years have been adjusted to reflect the reclassification.

(ii) In the current year, the Group has adopted the new HKFRSs which resulted in changes in accounting policies for the current and prior accounting years. The financial summary for prior years have been adjusted to take up the retrospective effects on HKFRS 2 *Share-based payment* (for share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005) and HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 17 *Lease*.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Celestial Asia Securities Holdings Limited ("Company") will be held at Salon 6, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 29 May 2006, Monday, at 10:00 am for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2005.

2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors' remuneration.

3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

   A. **THAT**

   (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

B. **THAT**

(a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

C. **THAT** conditional upon resolutions nos.4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.4B above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.4A above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

THAT conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 28 April 2006

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The biographical details of Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, being Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 28 April 2006.

4. A form of proxy for use at the meeting is enclosed.