CASH 時富

Celestial Asia Securities Holdings Limited

(Stock Code:1049)

Annual Report 2006

Contents

Corporate Profile

CASH Group (the holding company Celestial Asia Securities Holdings Limited "CASH"; SEHK: 1049) is a multi-faceted service conglomerate that addresses modern consumer needs in investment and wealth management, home improvement, as well as lifestyle enjoyment.

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"; SEHK: 8122) 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

Founded in 1986, CASH Retail Management (HK) Limited ("CRM (HK)") 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.

Corporate Profile

Pricerite is one of Hong Kong's leading one-stop home improvement specialists. We are committed to offering a quality shopping experience and a wide range of value-for-money products that exceed customer expectation. A comprehensive network of outlets ensures ease of access for customers and enables them to enjoy better living every day. Pricerite is known for its relentless effort in enhancing customer satisfaction, which is acknowledged by obtaining various accreditations, such as the Top Service Brand from the Hong Kong Brand Development Council, the Distinguished Salespersons Awards from The Hong Kong Management Association, and the Services and Courtesy Award from Hong Kong Retail Management Association. Other service certifications obtained include the Q-Mark Service Scheme certification, the Quality Tourism Services Trademark from Hong Kong Tourism Board, and the "No Fakes" Pledge.

LZ LifeZtore is a total solution provider for home lifestyle products. We are committed to providing customers with ultimate shopping excitement through a "FUNctional" approach via our own design furniture and home accessories, which are functional and with a twist of fun. LZ LifeZtore offers customers inspirational design ideas namely ORIwest, that is, a unique fusion of Oriental and Western styles. Customers, who pursue a lively, individual lifestyle will be inspired by LZ LifeZtore's quality designed products, exhilarating store environment and totally committed customer service.

3C Digital is committed to providing a wide array of quality and fashionable digital products, including consumer electronics, computers and communication items, enabling our trend-seeking customers to enjoy a vibrant digital lifestyle. As a new force to the digital market, 3C Digital is known for its innovative and personalised services, and we were the first digital specialist in Hong Kong to obtain the Q-Mark Service Scheme certification. Other service certifications obtained include the Quality Tourism Services Trademark from Hong Kong Tourism Board, and the "No Fakes" Pledge.

ENTERTAINMENT PORTAL

Moli Group is a fully-fledged developer, operator, and distributor of online entertainment content in the Greater China region. Founded in 2005, Moli is headquartered in Shanghai and has a mission of providing users with a diversified portfolio of the best online entertainment and services, through self-developed and licensing games from overseas. Currently Moli has offices in 17 cities in Mainland China and operations in Hong Kong and Taiwan.

Corporate Information

BOARD OF DIRECTORS

Executive:
KWAN Pak Hoo Bankee *(Chairman)*
LAW Ping Wah Bernard *(CFO)*
WONG Kin Yick Kenneth *(Deputy CEO)*
LIN Che Chu George

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*

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS
Sidley Austin Brown & Wood

COMPANY SECRETARY
LUKE Wing Sheung Suzanne, *FCIS*

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

Corporate Information

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
21/F The Center
99 Queen's Road Central
Hong Kong

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
The Hongkong and Shanghai Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTRARS AND TRANSFER OFFICE IN HONG KONG
Standard Registrars Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Chairman's Letter

Dear fellow shareholders,

The year 2006 brought more solid growth for the CASH Group as well as Hong Kong. CASH Financial Services Group, our financial services business, reaped the benefit of a thriving market and our sterling efforts during the past few years, while re-engineering at Pricerite resulted in satisfactory results. All business units of the CASH Group gained numerous awards in their respective industries as well as Q-Mark Service Certifications during the past year. The CASH Group was also awarded Business Superbrands status in 2006. These successes, together with our operating results, provide the best testimony to our past endeavours and commitment to propelling the Group forward.

During the year, we remained on course with our diversification strategy. We extended our business line to include an online gaming operation and our geographic region to Mainland China.

Moli Group, our online game business, launched well-received online games in the Asia Pacific region. The Mainland China market is especially promising. According to an IDC survey, the Mainland China online gaming market increased by 73.5% in 2006 and the board is optimistic that online gaming will be one of our future drivers of growth.

In addition, after a year of solid growth in Hong Kong, our lifestyle business expanded to Mainland China to capitalise on the booming lifestyle market there. LZ LifeZtore opened its first store in Shanghai, which has proven to be a city of strong growth during the past decade with a double-digit increase in per capita family disposable income.

The CASH Group has experienced ups and downs along with the Hong Kong economy in the past 10 years. In fact, in the board's view, the Group is a miniature of the Hong Kong economy, given that financial services and retail management businesses are the pillar industries of both the Group and Hong Kong. Both have also been growing stronger, with moves into other promising business areas and into Mainland China to further strengthen our market position.

Chairman's Letter

Unlike a decade ago, Hong Kong is no longer simply a gateway to Mainland China. Instead, Hong Kong has been transformed into a service base for the vast hinterland, with its professionals providing a variety of quality services to assist the emergence of Mainland China as one of the world's economic powerhouses.

The CASH Group has also been developing itself in line with such a macro economic change. Today, the Group's fundamentals are strong and we are prepared for the challenge. With our solid operating platform in Hong Kong, diversified business streams with stable sources of income, experienced and talented human resources, internationally recognised service standards, and dedicated management team, we are confident and ready to take an assertive approach in developing our Mainland China business and to capitalise on its rising middle class.

In another noteworthy move, I would like to take this opportunity to express my gratitude to all our staff members, not only for their great effort in driving the Group forward, but also their voluntary work on behalf of the wider community. One outstanding contribution was "Building • Power", a community project organised by Pricerite, 3C Digital, Hong Kong Christian Service and The Hong Kong Institute of Architects. The project provided professional homecare services, home renovations and replacement of furniture and household items for needy families and resulted in an Outstanding Partnership Project Award from the Hong Kong Council of Social Service. We will continue to support different charitable and educational programmes and encourage staff volunteers to become involved in such work.

Last but not least, I would like to thank our board members and management team for their diligent guidance and untiring support during the past year.

Yours sincerely,

Bankee Kwan

Bankee P Kwan
Chairman

Financial Review

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

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

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

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

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

Financial Review

LIQUIDITY AND FINANCIAL RESOURCES

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

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

Our total borrowings on 31 December 2006 were HK$437.5 million as compared with the total borrowings of HK$251.3 million on 31 December 2005. The increase in borrowings was partly due to consolidating the borrowings of CRM(HK) and partly due to a rise in demand of margin financing from CFSG's clients near the year-end. Most of these borrowings were collateralised by our margin clients' securities pledged to us for seeking financing. A cash deposit of HK$78.1 million was pledged as collateral for a general banking facility granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenants to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. At this year-end, a bank deposit of approximately HK$16.7 million was held for the purpose. A bank borrowing of HK$2.4 million was drawn down for financing the working capital of the Group. It was secured by personal guarantee from a director of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company), a subsidiary of the Group.

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

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

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

FOREIGN EXCHANGE RISKS

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

Financial Review

MATERIAL ACQUISITIONS AND DISPOSALS

CFSG

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

The Group

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

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

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

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

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 December 2006.

MATERIAL INVESTMENTS

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

Management Discussion and Analysis

INDUSTRY AND ECONOMIC REVIEW

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Financial Services – CASH Financial Services Group

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

Securities Broking

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

Asset Management

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

Wealth Management

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

Management Discussion and Analysis

Investment Banking Group

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

Information Technology

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

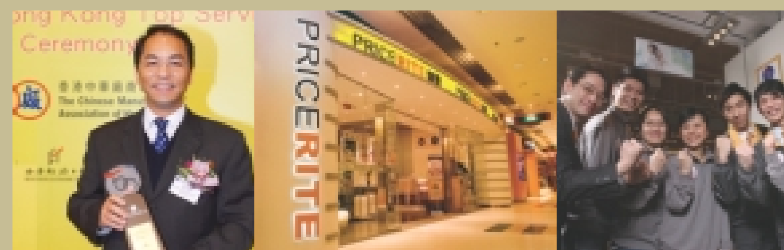
Major Shareholders

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

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


PRICERITE

Management Discussion and Analysis



Mass Retail – Pricerite

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

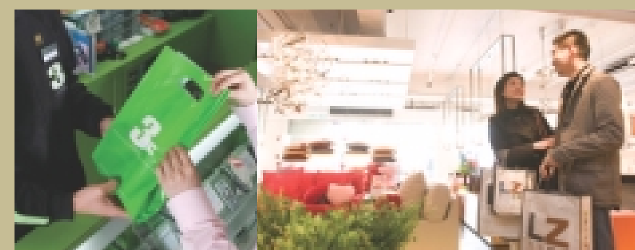
Service awards included a Certificate of Merit in the Hong Kong Awards for Industries Customer Service category, organised by the Hong Kong Retail Management Association, and the Customer Relationship Excellence Awards in the annual regional awards event organised by the Asia Pacific Customer Service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

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

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

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

Management Discussion and Analysis



Lifestyle – LZ LifeZtore and 3C Digital

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

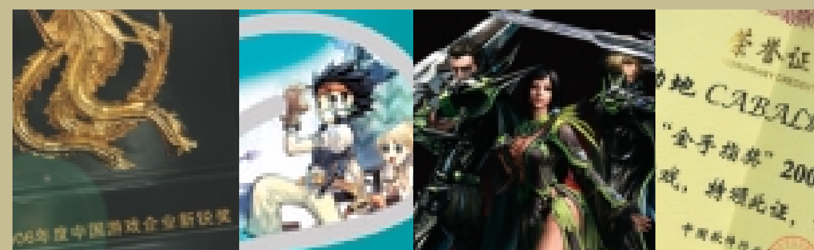
The solid growth of LZ LifeZtore during 2006 was built on (1) our commitment to customer service, and (2) our distinctive brand, which provides customers with a unique shopping experience through a "FUNctional" approach and inspirational "ORIwest" design ideas. During its first year of operation, LZ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

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

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


CABAL
ONLINE
THE NEVARETH CHRONICLE

Management Discussion and Analysis



Entertainment Portal – Moli Group

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

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

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

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

Management Discussion and Analysis

Corporate Citizenship

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

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

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

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

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

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

Employee Information

At 31 December 2006, the Group had 1,296 employees, of which 390 were at CFSG and its subsidiaries ("CFSG Group"). Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund schemes, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$228.4 million. We continue to organise training to employees in areas such as product knowledge, customer service, selling techniques, team building, interview techniques, communication, presentation, coaching, counselling, influencing, mentoring, project management, database and system management, computer applications, efficient writing and continuous professional training programmes required by regulatory bodies.

Our Pride

HONG KONG OUTSTANDING ENTERPRISES
香港傑出企業
2006
ECONOMIC DIGEST
經濟一週

Hong Kong Outstanding Enterprises 2006
Brand: CASH Financial Services Group
Institution(s): Hong Kong Economic Digest

香港服務名牌
HONG KONG TOP SERVICE BRAND

Top Service Brand Award 2006
Brand : Pricerite
Institution(s): Hong Kong Brand Development Council and;
The Chinese Manufacturers' Association of Hong Kong

AWARDED Superbrands HONG KONG 2006/2007

Superbrands
Brand: CFSG, Pricerite, LZ LifeZtore and 3C Digital
Institution(s): Superbrands organisation

AWARDED BUSINESS Superbrands HONG KONG 2006

Business Superbrands
Brand: CASH Group
Institution(s): Superbrands organisation

38th Distinguished Salesperson Awards (DSA)
Brand: Pricerite, LZ LifeZtore, CFSG
Institution(s): Hong Kong Management Association

2006
香港工商業獎
HONG KONG AWARDS FOR INDUSTRIES
顧客服務優異証書
CUSTOMER SERVICE
CERTIFICATE OF MERIT

Hong Kong Awards for Industries: Customer Service Certificate of Merit
Brand : Pricerite
Institution(s) : Hong Kong Retail Management Association

CUSTOMER RELATIONSHIP EXCELLENCE AWARDS
AP CSC

Customer Relationship Excellence Awards 2006
Brand: Pricerite
Institution(s): Asia Pacific Customer Service Consortium

Outstanding Partnership Project Award
Brand: Pricerite and 3C Digital
Institution(s): Hong Kong Council of Social Service

Hong Kong and Macau Merchants of Integrity Award
Brand: Pricerite
Institution(s): Guangzhou Daily & Ming Pao Daily News

Q-Mark Service Accreditation Certification
Brand: Pricerite, LZ LifeZtore and 3C Digital
Institution(s): The Federation of Hong Kong Industries

The Best Potential Brand Enterprise Award
Brand: Pricerite
Institution(s): Hong Kong Productivity Council

Caring Company
Brand: CASH Group, CFSG, Pricerite, LZ LifeZtore, 3C Digital
Institution(s): Hong Kong Council of Social Service

2006 Service and Courtesy Awards
Brand: LZ LifeZtore
Institution(s): Hong Kong Retail Management Association

BOARD OF DIRECTORS

(Left to right)

Bernard Ping-wah LAW	*CFO*
Kenneth Kin-yick WONG	*Deputy CEO*
Bankee Pak-hoo KWAN	*Chairman*
George Che-chu LIN	*Executive Director*

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 47, MBA, BBA, FFA, CPM(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, 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, the chairman of the Hong Kong Retail Management Association, a member of Central Policy Unit, The Government of the Hong Kong SAR, an advisor of Quality Tourism Services Association, a general committee member of Hong Kong Brand Development Council and an honorary advisor of CEPA Business Opportunities Development Alliance. Mr Kwan is the substantial shareholder of the Company and the chairman of CFSG. Mr Kwan is also a member of the Remuneration Committee of the Company as well as a member of the remuneration committee of CFSG.

Bernard Ping-wah LAW

CFO, 48, MBA, FCCA, FCPA, MHKSI

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

Kenneth Kin-yick WONG

Deputy CEO, 49, 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 financial services business. 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 a CEO of CFSG.

George Che-chu LIN

Executive Director, 43, MBA, BEng

Mr George Lin joined the Group on 1 December 2006. He is in charge of overseeing the operation of CFSG's online game business. He has extensive experience in the field of direct investment and management of technology and commercial business in PRC, Taiwan and Hong Kong.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Johnny Ka-kui LEUNG

Independent non-executive Director, 49, LL.B

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is the chairman of the Audit Committee and the Remuneration Committee of the Company.

Chuk-yan WONG

Independent non-executive Director, 45, MSc (Business Administration), BBA, CFA, CGA

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

Hak-sin CHAN

Independent non-executive Director, 45, PhD, MBA, BBA

Dr Chan Hak Sin 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 2006 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

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

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

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

BOARD OF DIRECTORS

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

- 8 meetings of the full Board
- 7 meetings of the EDs

Out of the 8 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group while 3 meetings to discuss and approve connected transactions of the Company which arose during the CG Period. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters, and the corporate movements and decisions.

Corporate Governance Report

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	ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		7/8	7/7
Mr Law Ping Wah Bernard	ED & CFO		8/8	7/7
Mr Wong Kin Yick Kenneth	ED & Deputy CEO		8/8	7/7
Mr Lin Che Chu George	ED	was appointed on 1 December 2006	2/5	3/3
Mr Li Yuen Cheuk Thomas	ED	resigned on 1 December 2006	3/3	2/4
Ms Kwok Oi Kuen Joan Elmond	ED	resigned on 13 April 2006	0/0	1/1
Mr Leung Ka Kui Johnny	INED		8/8	N/A
Mr Wong Chuk Yan	INED		8/8	N/A
Dr Chan Hak Sin	INED		7/8	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

Throughout the CG Period, 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.

During the CG Period, the Remuneration Committee had held 2 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	2/2
Mr Wong Chuk Yan	INED	2/2
Mr Kwan Pak Hoo Bankee	Chairman of the Board	2/2

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 non-executive Directors ("NED(s)") 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 10 to the consolidated 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.

The Company had 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.

Corporate Governance Report

During the CG Period, 2 meeting(s) was/were held by the EDs in resolving for the acceptance of the resignation of two ex-Directors and the appointment of one Director. The attendances of the EDs were as follows:

Director	**Attendance**
Mr Kwan Pak Hoo Bankee	1/2
Mr Law Ping Wah Bernard	2/2
Mr Wong Kin Yick Kenneth	2/2
Mr Lin Che Chu George (was appointed on 1 December 2006)	0/0
Mr Li Yuen Cheuk Thomas (resigned on 1 December 2006)	1/1
Ms Kwok Oi Kuen Joan Elmond (resigned on 13 April 2006)	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.

During the CG Period, the Audit Committee had held 5 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	5/5
Mr Wong Chuk Yan	INED	5/5
Dr Chan Hak Sin	INED	4/5

The chairman of the Audit Committee has been Mr Leung Ka Kui Johnny during the CG Period.

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	3,500,000
Non-audit services	3,079,000
Total	6,579,000

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.

Corporate Governance Report

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 Directors had found incidents of non-compliance with the disclosure requirements of the Listing Rules, details of which had already been disclosed in the announcement dated 8 February 2007, and had taken immediate steps to ensure full compliance with the requirements of the Listing Rules in the future. The Directors had also initiated necessary improvement and reinforcement to the internal control system during the period under review. The review showed a satisfactory control system. The review had been reported to the Audit Committee.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 20 April 2007

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 first quarter, 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.

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, 20 April 2007

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year 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, other financial services and online game services, sales of online game auxiliary products and licensing services; (b) retailing of furniture and household items and trendy digital products; and (c) investment holding.

RESULTS

The results of the Group for the year ended 31 December 2006 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 2006 is set out on pages 127 to 128 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 16 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 47 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

Directors' Report

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 2006, 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$137,398,000.

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.

CONNECTED TRANSACTION

On 9 January 2007, subsequent to the balance sheet date, (i) Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company, entered into an agreement with CFSG. As CFSG is a non-wholly-owned subsidiary of the Company where a substantial shareholder is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of CFSG, CFSG is a connected person of the Company within the meaning of the Listing Rules. Pursuant to the agreement, CIGL would acquire of the entire issued capital of the Game Group from CFSG at a consideration of the higher of HK$120 million or the valuation of the online game business operated by the Game Group as at 31 December 2006 ("Acquisition"). The consideration was finally fixed at HK$120 million. The Game Group is an online game developer and operator in PRC and Taiwan; and (ii) CIGL entered into an option deed with Mr Lin Che Chu George in relation to the grant of option by CIGL to Mr Lin the right to require CIGL to transfer 10% of the issued share capital of Netfield Technology Limited for a cash consideration at 10% of the consideration with respect of the Acquisition. Mr Lin Che Chu George is a Director of the Company and hence a connected person of the Company within the meaning of the Listing Rules. The entering into of the agreement and the option deed constituted a connected and major transaction and a connected and possible discloseable transaction of the Company under the Listing Rules respectively and the Acquisition and the grant of option will be subject to conditions including, inter alia, the approval of the independent shareholders of the Company at a special general meeting to be held on 23 April 2007. Details of the Acquisition and the grant of option were set out in the Company's announcements dated 9 January 2007 and 22 January 2007 and the circular dated 4 April 2007. The Game Group was originally acquired by CFSG at a consideration of HK$110 million in September 2005 and the acquisition was completed in January 2006.

Directors' Report

RAISING OF FUNDS AND USE OF PROCEEDS

On 11 October 2006, the Company announced a 2-for-1 rights issue at the subscription price of HK$0.28 per share to raise approximately HK$61.2 million (before expenses). The closing price of each share on 9 October 2006 (the last trading day prior to the fixing of the terms of the rights issue) was HK$0.385. The rights issue has been completed and 218,741,913 rights shares in the Company were duly issued and allotted on 17 November 2006. The net proceeds of approximately HK$59.8 million were used as to approximately HK$40 million for expansion of the retail business in PRC and the balance for general working capital purposes. Details of the rights issue were disclosed in the Company's announcement dated 11 October 2006 and the prospectus dated 31 October 2006.

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	
Lin Che Chu George	(was appointed on 1 December 2006)
Li Yuen Cheuk Thomas	(resigned on 1 December 2006)
Kwok Oi Kuen Joan Elmond	(resigned on 13 April 2006)

Independent Non-executive Directors:

Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin

Directors' Report

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

(i) Mr Wong Kin Yick Kenneth shall retire at least once in every three financial years at annual general meeting of the Company in accordance with the corporate governance code;

(ii) Mr Lin Che Chu George shall retire at the first general meeting of the Company after his appointment in accordance with Bye-law 86(2) of the Company's Bye-laws and the corporate governance code; and

(iii) 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 45 to the consolidated 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 43 to the consolidated financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2006, 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	–	246,042,564*	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.16
		7,644,300	246,042,564	38.65

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

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

					Number of options			
Name	**Date of grant**	**Exercise period**	**Exercise price per share** (HK$)	Notes	**outstanding as at 1 January 2006**	**granted during the year** (Notes (2)&(3))	**outstanding as at 31 December 2006**	**Percentage to issued shares as at 31 December 2006** (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	(1)	–	4,000,000	4,000,000	0.61
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323		–	4,000,000	4,000,000	0.61
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323		–	4,000,000	4,000,000	0.61
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323	(4)	–	4,000,000	4,000,000	0.61
					–	16,000,000	16,000,000	2.44

Notes:

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

(2) The closing price of the share immediately before the date of grant of options on 13 November 2006 was HK$0.33.

(3) The fair value of the options granted by the Company to the Directors during the year totalled approximately HK$422,000. The assumptions in arriving the fair value of the options are disclosed in note 42(A) to the consolidated financial statements.

(4) Mr Lin Che Chu George was appointed as Director of the Company during the year.

(5) No option held by the Directors was lapsed, exercised or cancelled during the year.

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

B. Associated corporations (within the meaning of SFO)

CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	679,219,434*	49.15
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Wong Kin Yick Kenneth	Beneficial owner	9,860,000	–	0.71
Lin Che Chu George	Beneficial owner	280,000	–	0.02
		27,404,000	679,219,434	51.13

* The shares were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of the Company, and as to 40,392,000 shares by Cash Guardian. Mr Kwan Pak Hoo Bankee 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 scheme

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2006	lapsed during the year (Note (6))	granted during the year (Notes (2)&(3))	outstanding as at 31 December 2006	Percentage to issued shares as at 31 December 2006 (%)
Kwan Pak Hoo Bankee	6/10/2005	6/10/2005 – 31/10/2006	0.380	(1)	7,800,000	(7,800,000)	–	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	–	6,000,000	6,000,000	0.43
Law Ping Wah Bernard	6/10/2005	6/10/2005 – 31/10/2006	0.380		7,800,000	(7,800,000)	–	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	–	6,000,000	6,000,000	0.43
Wong Kin Yick Kenneth	6/10/2005	6/10/2005 – 31/10/2006	0.380		7,800,000	(7,800,000)	–	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	–	6,000,000	6,000,000	0.43
Lin Che Chu George	7/7/2006	7/7/2006 – 31/7/2008	0.296	(4)	–	–	13,800,000	13,800,000	0.99
Li Yuen Cheuk Thomas	6/10/2005	6/10/2005 – 31/10/2006	0.380	(5)	7,500,000	(7,500,000)	–	–	–
Kwok Oi Kuen Joan Elmond	6/10/2005	6/10/2005 – 31/10/2006	0.380	(5)	7,800,000	(7,800,000)	–	–	–
					38,700,000	(38,700,000)	31,800,000	31,800,000	2.28

Notes:

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

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

(3) The fair value of the options granted by the Company to the Directors during the year totalled approximately HK$1,613,000. The assumptions in arriving the fair value of the options are disclosed in note 42(B) to the consolidated financial statements.

(4) Mr Lin Che Chu George was appointed as Director of the Company during the year.

(5) Ms Kwok Oi Kuen Joan Elmond and Mr Li Yuen Cheuk Thomas resigned as Directors of the Company during the year.

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

(7) No option held by the Directors was exercised or cancelled during the year.

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

Save as disclosed above, as at the 31 December 2006, 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 scheme 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 scheme during the year are set out in note 42(A) to the consolidated financial statements.

The subsidiary

CFSG had also adopted its share option scheme. Particulars of the share option scheme 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 scheme during the year are set out in note 42(B) to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, 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	246,042,564	37.49
Cash Guardian (Note (1))	Interest in a controlled corporation	246,042,564	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	108,000,000	16.46
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	108,000,000	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 Pak Hoo Bankee 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 Pak Hoo Bankee 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 2006, 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 2006, 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 2006.

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$252,600.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 46 to the consolidated financial statements.

Directors' Report

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 consolidated 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, 20 April 2007

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Celestial Asia Securities Holdings Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 126, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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
20 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	6	**816,622**	213,620
Other income		**4,104**	3,480
Cost of sales for retailing business		**(277,100)**	–
Convertible loan note settlement income (expense)		**291**	(85)
Salaries, allowances and commission	8	**(228,369)**	(123,970)
Other operating, administrative and selling expenses		**(256,251)**	(70,879)
Depreciation of property and equipment		**(25,252)**	(11,656)
Finance costs	9	**(63,500)**	(16,984)
Net gain (loss) on investments held for trading		**18,621**	(6,632)
(Allowance for) Reversal of allowance for bad and doubtful debts		**(2,876)**	702
Recovery of bad debts		**–**	8,294
(Loss) Gain on disposal of property and equipment		**(2,331)**	6,773
(Loss) Gain on dilution of shareholding in subsidiaries and associates		**(4,182)**	16,289
Share of profit (loss) of associates	21	**14,374**	(26,728)
Gain on disposal of associates	21	**71,100**	–
Impairment loss recognised in respect of property and equipment	16	**(5,951)**	–
Impairment loss recognised in respect of available-for-sale investments	19	**–**	(10,800)
Profit (Loss) before taxation	12	**59,300**	(18,576)
Taxation (charge) credit	13	**(5,939)**	2,999
Profit (Loss) for the year from continuing operations		**53,361**	(15,577)
Discontinued operation			
Loss for the period from discontinued operation	14	**–**	(11,482)
Profit (Loss) for the year		**53,361**	(27,059)
Attributable to:			
Equity holders of the Company		**32,057**	(37,022)
Minority interests		**21,304**	9,963
		53,361	(27,059)
Earnings (Loss) per share	15		
From continuing and discontinued operations:			
– Basic		**HK$0.07**	HK$(0.08)
From continuing operations:			
– Basic		**HK$0.07**	HK$(0.06)
– Diluted		**HK$0.06**	N/A

Consolidated Balance Sheet
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property and equipment	16	**98,750**	12,802
Prepaid lease payments	17	**16,378**	–
Investment property	18	**5,000**	–
Available-for-sale investments	19	**33,392**	–
Goodwill	20	**212,027**	17,426
Interests in associates	21	**–**	103,870
Intangible assets	22	**68,712**	11,261
Other assets	24	**16,241**	7,564
Loan receivables	25	**656**	725
Deposit for acquisition of subsidiaries	26	**–**	56,095
Deferred tax assets	13	**1,575**	3,940
		452,731	213,683
Current assets			
Inventories	27	**49,624**	–
Account receivables	28	**782,181**	469,772
Loan receivables	25	**19,275**	38,460
Prepayments, deposits and other receivables		**58,454**	19,580
Receivable for disposal of an associate	21	**76,187**	–
Amounts due from associates		**373**	–
Listed investments held for trading	29	**49,325**	35,467
Derivative financial instrument	30	**–**	16
Bank deposits under conditions	31	**78,075**	17,125
Bank balances – trust and segregated accounts	32	**574,577**	352,902
Bank balances (general accounts) and cash	32	**168,569**	118,219
		1,856,640	1,051,541
Current liabilities			
Account payables	33	**1,071,830**	581,965
Deferred revenue		**8,027**	–
Accrued liabilities and other payables		**109,467**	35,801
Payable for acquisition of subsidiaries	38(iii)	**100,590**	–
Taxation payable		**4,869**	1,525
Obligations under finance leases – amount due within one year	34	**756**	150
Borrowings – amount due within one year	35	**405,189**	171,737
Convertible loan note – amount due within one year	36	**–**	30,242
		1,700,728	821,420
Net current assets		**155,912**	230,121
		608,643	443,804

Consolidated Balance Sheet
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Capital and reserves			
Share capital	37	**65,623**	43,748
Reserves		**239,332**	139,596
Equity attributable to equity holders of the Company		**304,955**	183,344
Equity component of convertible loan note of a listed subsidiary		**–**	581
Share option reserve of a listed subsidiary		**2,496**	883
Minority interests		**259,880**	179,273
Total equity		**567,331**	364,081
Non-current liabilities			
Deferred tax liabilities	13	**8,494**	–
Obligations under finance leases – amount due after one year	34	**541**	159
Borrowings – amount due after one year	35	**32,277**	79,564
		41,312	79,723
		608,643	443,804

The financial statements on pages 46 to 126 were approved and authorised for issue by the Board of Directors on 20 April 2007 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 2006

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Operating activities			
Profit (Loss) before taxation		**59,300**	(30,058)
Adjustments for:			
Convertible loan note settlement (income) expense		**(291)**	85
Advertising and telecommunication services expenses	39(a)	**5,393**	–
Allowance for bad and doubtful debts (reversal of allowance)		**2,876**	(702)
Amortisation of intangible assets		**4,131**	–
Amortisation of prepaid lease payments		**207**	186
Depreciation of property and equipment		**25,252**	21,675
Employee share option benefits		**2,035**	203
Loss on deemed disposal of CRMG		**–**	974
Loss on disposal on intangible assets		**199**	–
Allowance for inventory obsolescence and write-off of inventories		**3,544**	–
Dividends from investments		**(471)**	(143)
Loss (Gain) on dilution of shareholding in subsidiaries and associates		**4,182**	(16,289)
Gain on disposal of associates		**(71,100)**	–
Impairment loss recognised in respect of property and equipment		**5,951**	–
Impairment loss recognised in respect of available-for-sale investments		**–**	10,800
Interest expenses		**63,500**	19,240
Loss (Gain) on disposal of property and equipment		**2,331**	(6,773)
Decrease (Increase) in fair value of derivative financial instrument		**16**	(64)
Share of (profit) loss of associates		**(14,374)**	26,728
Operating cashflow before movements in working capital		**92,681**	25,862
Decrease in inventories		**9,424**	–
Increase in account receivables		**(307,574)**	(106,777)
Decrease in loan receivables		**19,052**	1,670
Decrease (Increase) in prepayments, deposits and other receivables		**11,837**	(3,822)
Increase in amounts due from associates		**(373)**	–
(Increase) Decrease in listed investments held for trading		**(11,725)**	10,150
(Increase) Decrease in bank balances – trust and segregated accounts		**(221,675)**	80,254
Increase (Decrease) in account payables		**331,051**	(34,941)
Increase in deferred revenue		**8,027**	–
Increase (Decrease) in accrued liabilities and other payables		**18,221**	(41,098)
Cash used in operations		**(51,054)**	(68,702)
Income taxes paid		**(1,045)**	–
Dividends received		**471**	143
Net cash used in operating activities		**(51,628)**	(68,559)

Consolidated Cash Flow Statement
For the year ended 31 December 2006

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

1. GENERAL

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

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 47.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisition on or after 1 January 2005

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

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

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

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

Investment in an associate

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

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

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

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Retirement benefit costs

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

Borrowing costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development expenditures

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

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

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

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

Impairment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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

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

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

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Convertible loan note

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK$1,575,000 was recognised in the Group's consolidated balance sheet. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$452,956,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

Estimated impairment of goodwill and intangible assets

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and intangible assets (continued)

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

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

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

5. FINANCIAL INSTRUMENTS

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

Financial risk management objectives and policies

Market risk

Equity price risk

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

Cash flow interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

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

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

Liquidity risk

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

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

- the fair value of derivative instruments is estimated using discounted cashflow analysis and the applicable yield curve.

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

6. REVENUE

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

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

During the year ended 31 December 2005, due to the issuance of the subscription shares, the placing shares and the option shares of CRMG, the Group's shareholding in CRMG was reduced from 66.52% to 44.69% as at 23 May 2005. From then onwards, CRMG became an associate of the Group and the retailing business engaged by CRMG was classified as discontinued operation of the Group. The financial impact of CRMG on the Group's results and cash flows is disclosed in note 14 to the consolidated financial statements.

As the Directors of the Company is optimistic about the retail business in Hong Kong in particular in view of the improving local economy and consumer market, the Group signed a sale and purchase agreement to acquire the entire interest on the Hong Kong retail businesses from CRMG on 20 February 2006. This acquisition was completed on 30 June 2006 (note 38(iii)), as a result, the financial results of the retail business is consolidated to the Group's results in current year.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, online game services, retailing, investment holding. The online game services division arose from acquisition of online game business on 10 January 2006 and the retailing division arose from acquisition of retailing business on 30 June 2006, as mentioned in note 38. These divisions are the basis on which the Group reports its primary segment information.

In 2005, retailing business is treated as discontinued operation due to the deemed disposal of CRMG as detailed in note 6.

Principal activities are as follows:

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

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Balance sheet as at 31 December 2006

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

Other information for the year ended 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Income statement for the year ended 31 December 2005

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

Balance sheet as at 31 December 2005

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31 December 2005

	Continuing operations				Discontinued operation	
	Financial services HK$'000	Investment holding HK$'000	Others HK$'000	Total HK$'000	Retailing HK$'000	Consolidated HK$'000
Additions of property and equipment	2,116	–	73	2,189	5,350	7,539
Depreciation of property and equipment	10,606	–	1,050	11,656	10,019	21,675
Amortisation of prepaid lease payments	–	–	186	186	–	186
Impairment loss recognised in respect of available-for-sale investments	–	–	10,800	10,800	–	10,800

Geographical segments

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

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

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

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

Carrying amount of segment assets

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

Additions to property and equipment

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

8. SALARIES, ALLOWANCES AND COMMISSION

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

9. FINANCE COSTS

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

10. DIRECTORS' REMUNERATION

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

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

10. DIRECTORS' REMUNERATION (continued)

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

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

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

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

11. EMPLOYEES' REMUNERATION

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

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

11. EMPLOYEES' REMUNERATION (continued)

Their remuneration were within the following band:

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

12. PROFIT (LOSS) BEFORE TAXATION

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

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

13. TAXATION (CHARGE) CREDIT

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

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

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

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

13. TAXATION (CHARGE) CREDIT (continued)

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

	2006 **HK$'000**	2005 HK$'000
Profit (Loss) before taxation:		
Continuing operations	**59,300**	(18,576)
Discontinued operation	**–**	(11,482)
	59,300	(30,058)
Taxation (charge) credit at income tax rate of 17.5%	**(10,378)**	5,260
Overprovision in respect of prior years	**94**	–
Tax effect of share of results of associates	**2,515**	(4,677)
Tax effect of expenses not deductible for tax purpose	**(7,926)**	(4,885)
Tax effect of income not taxable for tax purpose	**15,703**	3,923
Tax effect of estimated tax losses not recognised	**(14,018)**	(6,319)
Tax effect of utilisation of estimated tax losses previously not recognised	**8,712**	5,817
Recognition of tax losses/deferred tax assets previously not recognised	**–**	3,940
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(587)**	–
Others	**(54)**	(60)
Taxation (charge) credit	**(5,939)**	2,999

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

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

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

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

14. DISCONTINUED OPERATION

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

The loss for the year ended 31 December 2005 from discontinued operation is analysed as follows:

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

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

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

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

15. EARNINGS (LOSS) PER SHARE

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

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

15. EARNINGS (LOSS) PER SHARE (continued)

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the purpose of basic and diluted loss per share	(37,022)

Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	437,483,827
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	437,483,827

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

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

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the year attributable to equity holders of the Company	(29,506)

Loss per share	
Continuing operations	
Basic and diluted loss per share	HK$(0.06)

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

15. EARNINGS (LOSS) PER SHARE (continued)

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 was based on the following data:

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

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

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

16. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2005	43,543	10,000	93,985	193,048	3,140	343,716
Additions	–	–	5,547	1,526	466	7,539
Disposals	(9,780)	(10,000)	(1,924)	(55,760)	(350)	(77,814)
Deemed disposal of subsidiaries	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005 and 1 January 2006	–	–	44,004	60,485	1,840	106,329
Additions	–	–	11,527	16,671	1,568	29,766
Disposals	–	–	(2,636)	(7,079)	–	(9,715)
Arising on acquisition of subsidiaries	31,000	–	27,650	31,234	448	90,332
At 31 December 2006	31,000	–	80,545	101,311	3,856	216,712
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2005	22,651	10,000	62,652	145,902	2,014	243,219
Provided for the year	712	–	10,168	10,423	372	21,675
Eliminated on disposals	(6,045)	(10,000)	(1,924)	(54,941)	(7)	(72,917)
Eliminated on deemed disposal of subsidiaries	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005 and 1 January 2006	–	–	36,057	56,097	1,373	93,527
Provided for the year	700	–	15,738	8,005	809	25,252
Impairment loss recognised	–	–	4,991	960	–	5,951
Eliminated on disposals	–	–	(661)	(6,107)	–	(6,768)
At 31 December 2006	700	–	56,125	58,955	2,182	117,962
NET BOOK VALUES						
At 31 December 2006	30,300	–	24,420	42,356	1,674	98,750
At 31 December 2005	–	–	7,947	4,388	467	12,802

16. PROPERTY AND EQUIPMENT (continued)

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

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

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

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

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

17. PREPAID LEASE PAYMENTS

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

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

18. INVESTMENT PROPERTY

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

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

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

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

19. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

20. GOODWILL

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

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

21. INTERESTS IN ASSOCIATES

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

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

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

21. INTERESTS IN ASSOCIATES (continued)

During the year ended 31 December 2005, included in the cost of investments in associates is goodwill of HK$23,924,000. The movement of goodwill is set out below:

	HK$'000
COST	
At 1 January 2005	–
Arising from change of a subsidiary to an associate on 23 May 2005 (note 14)	26,336
	26,336
Elimination on deemed disposal on 30 December 2005	(2,412)
At 1 January 2006	23,924
Disposal	(23,924)
At 31 December 2006	–

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

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

21. INTERESTS IN ASSOCIATES (continued)

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

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

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

22. INTANGIBLE ASSETS

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

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

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

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

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

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

22. INTANGIBLE ASSETS (continued)

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

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

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

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

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

23. IMPAIRMENT TESTINGS ON GOODWILL, TRADING RIGHTS AND TRADEMARKS

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

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

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

The recoverable amounts of the CGUs of financial services have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period and discount rate of 7.75%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

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

23. IMPAIRMENT TESTINGS ON GOODWILL, TRADING RIGHTS AND TRADEMARKS (continued)

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

24. OTHER ASSETS

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

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

25. LOAN RECEIVABLES

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

All the loan receivables are denominated in Hong Kong dollars.

25. LOAN RECEIVABLES (continued)

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

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

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

The effective interest rate (which is equal to contractual interest rate) on the Group's fixed rate loan receivables is 2% (2005: 4.98%). Interest rate term is fixed at the time when entering into loan agreement.

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

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

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

26. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

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

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

This acquisition was completed on 10 January 2006.

27. INVENTORIES

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

28. ACCOUNT RECEIVABLES

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

28. ACCOUNT RECEIVABLES (continued)

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

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

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

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

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

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

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

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

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

29. LISTED INVESTMENTS HELD FOR TRADING

Listed investments held for trading included:

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

30. DERIVATIVE FINANCIAL INSTRUMENT

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

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

31. BANK DEPOSITS UNDER CONDITIONS

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

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

Notes:

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

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

32. BANK BALANCES

Bank balances – trust and segregated accounts

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

Bank balances (general accounts) and cash

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

33. ACCOUNT PAYABLES

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

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

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

33. ACCOUNT PAYABLES (continued)

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

The account payables amounting to HK$574,577,000 (2005: HK$352,902,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

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

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

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

34. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

35. BORROWINGS

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

The maturity profile of the above borrowings is as follows:

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

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

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

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

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

(c) pledged bank deposits; and

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

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

35. BORROWINGS (continued)

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

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

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

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

36. CONVERTIBLE LOAN NOTE

Convertible loan note issued by CFSG

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

36. CONVERTIBLE LOAN NOTE (continued)

Convertible loan note issued by CFSG (continued)

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

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

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

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

The partial repayment was allocated to the fair value of the liability component as at the date of early redemption determined on the same basis as initial recognition. The difference between the amount of partial repayment allocated to the liability component and the carrying amount of the liability component at that point in time is recognised directly in the income statement. During the year ended 31 December 2006, a partial repayment of HK$14,300,000 (2005: HK$10,000,000) was made and a corresponding settlement income of HK$291,000 (2005: expenses of HK$85,000) was recognised in the income statement directly.

37. SHARE CAPITAL

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

Note:

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

38. ACQUISITION OF SUBSIDIARIES

(i) Netfield Group

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

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

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

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

38. ACQUISITION OF SUBSIDIARIES (continued)

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

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

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

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

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

38. ACQUISITION OF SUBSIDIARIES (continued)

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

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

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
NET ASSETS ACQUIRED:			
Property and equipment	81,163	–	81,163
Prepaid lease payment	4,643	12,357	17,000
Investment property	5,000	–	5,000
Inventories	62,267	–	62,267
Account receivables	1,746	–	1,746
Other receivables, deposits and prepayments	47,218	–	47,218
Listed investments held for trading	2,133	–	2,133
Pledged bank deposits	44,400	–	44,400
Bank balances and cash	50,354	–	50,354
Account payables	(146,538)	–	(146,538)
Accrued liabilities and other payables	(37,718)	–	(37,718)
Taxation payable	(200)	–	(200)
Bank borrowings	(64,007)	–	(64,007)
Intangible assets in relation to trademarks	–	38,000	38,000
Deferred tax liabilities	–	(6,650)	(6,650)
	50,461	43,707	94,168
The Group's share of net assets of the Retail Group at 30 June 2006			(17,969)
Fair value adjustment attributable to the Group's 35.61% interest in the Retail Group credited to revaluation reserve			(15,564)
Goodwill			69,955
Consideration			130,590
SATISFIED BY:			
Cash (note)			130,590
NET CASH INFLOW ARISING ON ACQUISITION:			
Cash paid			(30,000)
Bank balances and cash acquired			50,354
			20,354

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

38. ACQUISITION OF SUBSIDIARIES (continued)

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

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

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

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

39. MAJOR NON-CASH TRANSACTIONS

(a) Pursuant to the agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised approximately HK$5,393,000 (2005: nil) advertising and telecommunication services.

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

40. CONTINGENT LIABILITIES

Company and subsidiaries

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

(b) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 (equivalent to approximately HK$7,020,000) arising out of an employment contract between ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the Directors, the potential liability arisen is remote.

(c) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

(d) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a non-wholly-owned subsidiary of the Company, for an amount of HK$1,662,598. The nature of claim is a winding-up petition. A winding-up order was made by the court, the liquidator has been appointed, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors of the Company is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

41. OPERATING LEASE COMMITMENTS

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

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

Operating lease payments represent rental payable by the Group for office premises and retail shops. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop when the sales meets certain specified level.

42. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

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

(i) The purpose was to provide incentives to:

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

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

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

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 43,748,382 shares, representing 6.7% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

42. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

- the closing price of the Company's shares on the date of grant which day must be a trading day;

- the average closing price of the Company's shares for the 5 trading days immediately preceding the date of grant; and

- the nominal value of the Company's share.

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

42. SHARE OPTION SCHEMES (continued)

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

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:

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

Notes:

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

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

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

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

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

42. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

(B) Share option scheme of CFSG

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

(i) The purpose was to provide incentives to:

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

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

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

42. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

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

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

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

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

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

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

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

42. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

Notes:

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

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

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

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

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

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

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

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

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

42. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

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

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

43. RETIREMENT BENEFITS SCHEMES

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

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

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

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

44. COMMITMENTS

Capital commitments

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

	2006 **HK$'000**	2005 HK$'000
Capital expenditure commitment in respect of the acquisition of subsidiaries contracted for but not provided in the financial statements	**–**	55,000

45. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

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

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

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

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

46. POST BALANCE SHEET EVENTS

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

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

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CFSG	Bermuda	HK$138,205,144	51.1*	46.22	Investment holding
CASH Asset Management Limited	Hong Kong	HK$200,000	51.1	46.22	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	51.1	46.22	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	51.1	46.22	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	51.1	46.22	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	51.1	46.22	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	51.1	46.22	Money lending
Celestial Securities Limited	Hong Kong	HK$140,000,000	51.1	46.22	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US$1	51.1	46.22	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	HK$1,000,000	35.77**	32.35	Financial advisory consultancy

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

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	26.06***	23.57	Online game operator
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	51.1	46.22	Online game developer
上海摩力游數字娛樂有限公司## (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	51.1	46.22	Online game operator
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	60	60	Retailing of electrical appliances
E-Tailer Holding Limited	British Virgin Islands	US$1	100	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales

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

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

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

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

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

\# Wholly-owned foreign enterprise established in PRC.

\#\# Domestic enterprise with limited liabilities established in PRC.

All the subsidiaries shown above are indirectly held by the Company. In the opinion of the Directors, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

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:

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(restated)	(restated)	(restated)
			(Note (ii))	(Notes (i) and (ii))	(Notes (i) and (ii))
RESULTS					
Revenue					
Continuing operations	**816,622**	213,620	247,420	197,825	212,710
Discontinued operation	**–**	374,525	876,969	836,006	889,918
	816,622	588,145	1,124,389	1,033,831	1,102,628
Profit (Loss) before taxation					
Continuing operations	**59,300**	(18,576)	(79,027)	(21,960)	(470,055)
Discontinued operation	**–**	(11,482)	(82,611)	(29,925)	(96,856)
	59,300	(30,058)	(161,638)	(51,885)	(566,911)
Taxation credit (charge)	**(5,939)**	2,999	(356)	(134)	1,779
Profit (Loss) for the year	**53,361**	(27,059)	(161,994)	(52,019)	(565,132)
Attributable to:					
Equity holders of the Company	**32,057**	(37,022)	(143,954)	(52,539)	(442,896)
Minority interests	**21,304**	9,963	(18,040)	520	(122,236)
	53,361	(27,059)	(161,994)	(52,019)	(565,132)

Five-Year Financial Summary

	As at 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000 (restated) (Note (ii))	HK$'000 (restated) (Notes (i) and (ii))	HK$'000 (restated) (Notes (i) and (ii))
ASSETS AND LIABILITIES					
Property and equipment	**98,750**	12,802	100,497	126,903	183,019
Prepaid lease payments (non-current)	**16,378**	–	48,244	6,865	6,998
Investment property	**5,000**	–	–	–	–
Investment securities	**–**	–	10,800	15,500	–
Goodwill	**212,027**	17,426	57,199	70,808	55,260
Interest in associates	**–**	103,870	–	–	–
Intangible assets	**68,712**	11,261	9,092	10,922	12,752
Other non-current assets	**51,864**	68,324	32,680	21,504	33,408
Current assets	**1,856,640**	1,051,541	1,276,366	1,364,649	938,688
Total assets	**2,309,371**	1,265,224	1,534,878	1,617,151	1,230,125
Current liabilities	**1,700,728**	821,420	1,065,490	1,134,550	778,860
Long term borrowings	**32,277**	79,564	81,286	19,626	753
Other non-current liabilities	**9,035**	159	–	–	–
Total liabilities	**1,742,040**	901,143	1,146,776	1,154,176	779,613
Net assets	**567,331**	364,081	388,102	462,975	450,512
Equity attributable to equity holders of the Company	**304,955**	183,344	220,565	340,001	375,015
Equity component of convertible loan notes and share option reserve of a listed subsidiary	**2,496**	1,464	1,451	1,764	2,823
Minority interests	**259,880**	179,273	166,086	121,210	72,674
	567,331	364,081	388,102	462,975	450,512

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) During the year ended 31 December 2005, the Group has adopted the new HKFRSs which resulted in changes in accounting policies for the 2005 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, 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 1 June 2007, Friday, at 9:45 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 2006.

2. To re-elect the retiring Directors of the Company for the ensuring year and to authorise the Directors 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.

Notice of Annual General Meeting

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

   THAT conditional on (a) the Listing Committee of the Growth Enterprise Market of the Stock Exchange granting the listing of and permission to deal in the shares in CASH Financial Services Group Limited ("CFSG") to be issued pursuant to the exercise of any options ("CFSG Options") to be granted under the existing share option scheme and any other share option scheme(s) of CFSG, and (b) the directors of CFSG be authorised by the shareholders of CFSG in general meeting, at their absolute discretion, to grant CFSG Options to the extent that the shares in CFSG issuable upon the full exercise of all CFSG Options shall not be more than 10% of the issued share capital of CFSG as at the date of its resolution ("CFSG Scheme Mandate Limit"), the CFSG Scheme Mandate Limit be and is hereby approved.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 30 April 2007

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 Wong Kin Yick Kenneth, Mr Lin Che Chu George, 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 30 April 2007.

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