CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

CASH Financial Services Group Limited
(Stock Code:8122)

Annual Report 2006

Characteristics of the growth enterprise market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Contents

Corporate Profile

CASH Financial Services Group Limited ("Company" or "CFSG") is a leading financial services conglomerate that has been servicing clients in Hong Kong for more than thirty years. Through a well-developed securities and commodities brokerage infrastructure, complemented by a fast-growing wealth management business arm, we offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs, short-term and long, 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 one-stop asset management service for our corporate and individual clients to achieve the highest return in this fast changing investment environment.

As a fully-fledged financial institution, CFSG offers a comprehensive range of financial services, including Securities (HK, US and China B-shares), Futures and Options, Mutual Funds, Bonds, Equity Linked Notes (ELN) and Principle Guaranteed Notes (PGN), Insurance, Personal Financial Planning and Advisory Services, Asset Management, Investment Banking Services, Research and Market Analysis.

As we are committed to be the financial services house of choice for our clients, a wide array of financial products and services are designed to attain different investment objectives. Backed by our financial strength, innovativeness, professional management and a technologically advanced infrastructure, CFSG hinges success on the provision of financial products and services that are of the highest possible quality standard.

CASH FINANCIAL SERVICES GROUP
時富金融服務集團

Corporate Information

BOARD OF DIRECTORS

Executive:
KWAN Pak Hoo Bankee (Chairman)
WONG Kin Yick Kenneth (CEO)
LAW Ping Wah Bernard (CFO)
CHENG Man Pan Ben (COO)

Independent Non-executive:
CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
LO Kwok Hung John

AUDIT COMMITTEE

CHENG Shu Shing Raymond (chairman)
HUI Ka Wah Ronnie
LO Kwok Hung John

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond (chairman)
HUI Ka Wah Ronnie
KWAN Pak Hoo Bankee

QUALIFIED ACCOUNTANT

WONG Hon Ming Wallace, CPA

COMPLIANCE OFFICER

CHENG Man Pan Ben, CPA

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin Brown & Wood

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, FCIS

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
Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Bank of East Asia, Limited
Bank of Communications Co., Ltd.

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

CONTACTS
Telephone: (852) 2287 8788
Facsimile: (852) 2287 8700
Website: www.cfsg.com.hk

Committed
to
quality

Financial Review

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

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

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

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

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

Financial Review

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

The Company had a convertible loan note in the outstanding nominal value of HK$30.5 million on 31 December 2005. In January 2006, the noteholder of the convertible loan note partially exercised the right attaching to the convertible loan note in the amount of HK$16.2 million at the conversion price of HK$0.27 each to convert into a total number of 60 million new shares of the Company. In June 2006, the Company had made early partial repayments of the convertible loan note in the total amount of HK$14.3 million. The convertible loan note was fully repaid as at the end the year. The ratio for our interest bearing borrowings to total equity was 57.9% on 31 December 2006 as compared to 56.4% on 31 December 2005. As most of the bank borrowings being of a back-to-back nature, our gearing was kept at a conservatively low level.

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

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

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

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

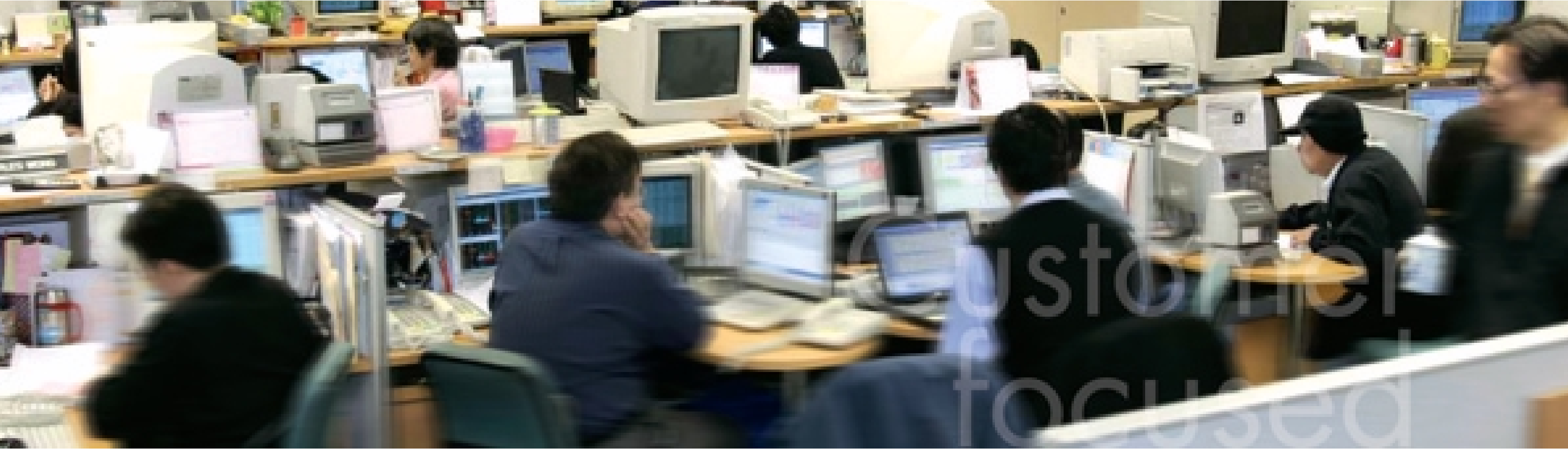
People-oriented

Management Discussion and Analysis

INDUSTRY REVIEW

Year 2006 was a year of extended global economic growth and equity market cycle. While energy and commodity prices rose significantly during the first half of the year, inflation continued to be contained and global economic growth remained strong. Granted, there were some soft spots such as weakening of the US housing market. However, the US economy proved resilient. Despite consecutive hikes in interest rates in 2006, corporate earnings continued to grow, supporting broad-based rallies in most stock markets, particularly in Europe, Asia, and Latin America.

In Hong Kong, the year under review began with a strong note: rising investors' confidence and robust economic growth. GDP growth reached 6.8% for the year. Employment conditions were favourable, with unemployment rate reaching a six-year low of 4.4%. The local property market, however, seemed pedestrian – both primary and secondary market transactions dropped by double digits, despite record land sale prices. The bright spot lied in the luxury segment, with transactions prices surpassing the records made in 1997. Signs of sustained double-digit economic growth in China and continued speculation over RMB appreciation attracted significant capital inflows into Hong Kong, particularly into the China-related shares. The macro tightening policies by the Chinese official drove some of the liquidity from the real estate market into the equity market locally and fuelled the stock market with abundant liquidity. With demand well in excess of supply, equity prices skyrocketed. International funds that were not qualified to invest directly in the domestic A-share market flowed into the H-shares and Red Chips markets, driving them up 94% and 72%, respectively.



The Hong Kong stock market made a number of new records during 2006. In terms of market capitalisation, it reached HK$13,252 billion on December 28. Total capital raised on new issues amounted to HK$332 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.

BUSINESS REVIEW

The Group had considerable success in year 2006, reflecting both a robust market environment and strong performance across our major businesses, in particular the securities broking business. The Group achieved a net profit attributable to shareholders of HK$39.9 million for the year, an increase of 50.0% from HK$26.6 million for 2005.

The Group is committed to enhancing shareholder value and returns. In light of this, the Directors have recommended the payment of a final dividend of HK$0.02 per share for the year ended 31 December 2006. Together with the interim dividend of HK$0.03 per share, the dividend for the full year will be HK$0.05 per share (2005: Nil).

Although we cannot control the business environment in which we operate, we are responsible for how well we capitalise on opportunities and respond to challenges. The ability to do this depends on our strengths and execution capability. Throughout 2006, we 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. We 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

Our market share by turnover improved handsomely during the year due partly to the general market strength and partly to our previous efforts to improve our delivery channels and execution platforms. The enhanced sales platforms that were put in place to deliver better execution have allowed us 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 our operating profit margins. This trend will likely to sustain as an increasing number of banks are entering the securities broking business. Part of our 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.

Management Discussion and Analysis

Asset Management

The asset management business, launched two years ago to capture opportunities inherent in the high-net-worth market and to complement our strategy of providing a full suite of services to our clients, has proven to be an effective strategy. A portion of the assets under management provides us 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, our wealth management division, while encountering fierce competition, experienced a slow down in growth rate during 2006. To solidify and expand its market share in the increasingly competitive environment, the division will review its remuneration packages to attract industry professions and to strengthen cross-selling synergy with the house-served brokerage clients.

Investment Banking Group

We offer investment banking clients sponsoring, underwriting and distribution services for equities in addition to financial advisory services on strategic matters, such as mergers and acquisitions, restructurings, project finance, etc. At the beginning of the year, we 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 our 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.

BOARD OF DIRECTORS (Left to right)
CHENG Man Pan Ben *(COO)*, WONG Kin Yick Kenneth *(CEO)*, KWAN Pak Hoo Bankee *(Chairman)*, LAW Ping Wah Bernard *(CFO)*

Information Technology

As a technology leader and a client-focused service provider, we constantly review and upgrade our 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, we 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 us to stretch our reach geographically. This new platform will not only enable us to better serve our existing self-served, technology-savvy clients, but also place us in an advantageous position to compete in the premium mass-market segment.

Online game

Our online game business, Moli Group, performed in line with the financial targets as set out in the business plan. The business will continue to focus on granting out licensing rights in the region and rolling out branch offices in the coming year.

People

People remain the most valuable asset of a people-focused business in which trust, integrity, and professionalism are the core essence. Our experience shows that if we serve our clients well, our own success will follow. During the year, we carried out a series of training and development programs to upgrade the operational and managerial skills of our employees. As an ongoing strategy, we will continue to dedicate resources toward personal development through which we hope to help them not only do a better job, but also to build a strong sense of belonging with the organisation. Our goal is to create an environment to attract, develop, motivate, and retain talents and encourages them to work together as a team.

Major Shareholders

Our second largest shareholder is one of Saudi Arabian's top ten investment groups, the ARTAR Group. We also have an Austrian company, AvW Invest AG, listed in Vienna, as a strategic investor. The alliance with these two partners has broadened our shareholding base from Asia to Middle East

Management Discussion and Analysis

and Europe, raising our international recognition. More importantly, the alliance will assist us in making inroads into the Middle East and European market to explore cross-selling and development opportunities.

OUTLOOK

In light of our financial achievement in the last three years, the Group had initially submitted an application for a listing on the main board in July 2006. The application was later withdrawn as additional time was required to prepare the listing documents and to update the audited information. With the objectives to raise our corporate profile and to broaden our investor base through a listing on the main board, we will consider resubmitting the application in due course.

On our core business, in addition to the securities brokerage business, the fast-growing wealth management business will remain as an integral part of our focused strategy to diversify our income streams. With a high savings rate and a relatively low penetration of wealth management services in Hong Kong and Mainland China, growth opportunity in wealth management is enormous. While competition continues to be intensifying, we will respond accordingly to attract new sales talents and to establish ourselves as a niche player in the industry through strong brand recognition, professional sales team, excellent service, and the ability to provide a wide array of financial products and services.

The fast growing asset management service will complement the wealth management needs of the high-net-worth clients, broaden client base, and attract new prospects. More importantly, it will serve as a new source to the more stable fee-based income pool. The business will continue to focus on growing client base and assets under management while preparing to launch the discretionary portfolio management service.

On the investment banking front, we expect to see fund-raising and financial advisory activities continue to grow in the PRC even though the amount of capital-raised might be only close to half of what it was in 2006 as there will have lesser mega deals lined up in 2007. Having said that, an increasing number of state-owned and private-sector

Focus on change

enterprises in Mainland China have expressed their interest to raise funds abroad, Hong Kong becomes the preferred destination for international capital-raising. With a focus on medium-sized enterprises in Mainland China, our investment banking group has gained good presence in recent years and is well-positioned to seize opportunities as they arise.

Our strategies in China

Our experience in Hong Kong and the comprehensive business model and systems that we built over the years have prepared us well for an entry into the Mainland financial markets where regulations, products, platforms or services have a long way to become mature in relation to the size of its economy. As China continues to open up and develop its financial markets, an increasing number of multinational and national financial institutions are eager to share a slice of the fast-growing pie. With this perspective, we started to position ourselves in the Mainland's financial market as early as the late nineties. We have been active in both the major and secondary cities in networking the local authorities and financial institutions in order to explore mutually beneficial opportunities. This strategy has proven successful for the investment banking division in the past several years. The development of China's asset and wealth management industry is still in its infancy. Opportunities abound for companies that have the knowledge and platform to deliver the products and services as the market opens up. We have been actively searching for collaboration in this segment of the market. We will continue with these initiatives and seek out acquisition or joint venture opportunities as they arise.

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 our 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.

Research

An Advanced Operating Platform – supporting our growth

Teamwork

Asset Management

Online and Marketing

Investment Banking

Wealth Management

Employee Information

At 31 December 2006, the Group had 390 employees. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, 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$79.5 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.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 47, MBA, BBA, FFA, CPM(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Group at its establishment. 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 and Celestial Asia Securities Holdings Limited ("CASH"), 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 CASH. Mr Kwan is also a member of the Remuneration Committee of the Company as well as a member of the remuneration committee of CASH.

Kenneth Kin-yick WONG

CEO, 49, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000. He is in charge of the Group's business development and business management. 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 deputy CEO of CASH in charge of its business development in the Greater China region.

Bernard Ping-wah LAW

CFO, 48, MBA, FCCA, FCPA, MHKSI

Mr Bernard Law joined the Group at its establishment. 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 and CASH, he served as finance director and group financial controller of several Hong Kong listed companies and corporations. Mr Law is also the CFO of CASH.

Directors' Profile

Ben Man-pan CHENG

COO, 37, BA, FCCA, CPA

Mr Ben Cheng joined the Group at its establishment and was appointed to the Board on 7 June 2004. He is in charge of monitoring the Group's day-to-day operation. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Before joining the Group and CASH, he assumed senior financial executive positions in several Hong Kong listed companies and corporations and in the fields of finance and audit. Mr Cheng is also the compliance officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

Independent Non-executive Director, 51

Mr Raymond Cheng joined the Independent Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. Mr Cheng is also a member of The Watches and Clocks Advisory Committee of Hong Kong Trade Development Council and an advisor of The Federation of Hong Kong Watch Trades and Industries Limited. Mr Cheng is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee of the Company.

Ronnie Ka-wah HUI

Independent Non-executive Director, 43, MBBS, MRCP, DCH, FHKAM, FHKCP, CFA

Dr Ronnie Hui joined the Independent Board on 3 November 2004. Dr Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. He is a Chartered Financial Analyst charterholder and is currently the head of corporate investment of a listed company in Hong Kong and members of various public organisations. Dr Hui is a member of the Audit Committee and the Remuneration Committee of the Company.

John Kwok-hung LO

Independent Non-executive Director, 48, MBA, FCCA, LL.B

Mr John Lo joined the Independent Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. Mr Lo 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 Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

The Board has 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 GEM 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. The Company had duly complied with the Principles throughout the CG Period. The Board is not aware of any deviations from the Principles during the CG Period.

BOARD OF DIRECTORS

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

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

Out of the 7 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group while 2 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.

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	Resignation during the CG Period	Attendance: Full Board meetings	Attendance: ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		7/7	10/10
Mr Wong Kin Yick Kenneth	ED & CEO		7/7	10/10
Mr Law Ping Wah Bernard	ED & CFO		7/7	10/10
Mr Cheng Man Pan Ben	ED & COO		7/7	10/10
Ms Kwok Oi Kuen Joan Elmond	ED	resigned on 17 March 2006	0/0	1/1
Mr Cheng Shu Shing Raymond	INED		7/7	N/A
Dr Hui Ka Wah Ronnie	INED		7/7	N/A
Mr Lo Kwok Hung John	INED		5/7	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 meetings 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 Cheng Shu Shing Raymond	INED	2/2
Dr Hui Ka Wah Ronnie	INED	2/2
Mr Kwan Pak Hoo Bankee	Chairman of the Board	2/2

Corporate Governance Report

The chairman of the Remuneration Committee since its establishment has been Mr Cheng Shu Shing Raymond.

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 to 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 financial statements in the Annual Report.

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

Corporate Governance 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.

During the CG Period, 1 meeting was held by the EDs in resolving for the acceptance of the resignation of an ex-Director. The attendances of the EDs were as follows:

Director	**Attendance**
Mr Kwan Pak Hoo Bankee	1/1
Mr Wong Kin Yick Kenneth	1/1
Mr Law Ping Wah Bernard	1/1
Mr Cheng Man Pan Ben	1/1
Ms Kwok Oi Kuen Joan Elmond (resigned on 17 March 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 includes:

- 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 Cheng Shu Shing Raymond	INED	5/5
Dr Hui Ka Wah Ronnie	INED	5/5
Mr Lo Kwok Hung John	INED	3/5

The chairman of the Audit Committee had been Mr Cheng Shu Shing Raymond 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 the 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	1,800,000
Non-audit services	1,910,000
Total	3,710,000

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

Corporate Governance Report

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

REVIEW OF INTERNAL CONTROL

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The Directors had found incidents of non-compliance with the disclosure requirements of the GEM 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 GEM 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, 23 March 2007

Audit Committee Report

The Audit Committee of the Company was established on 30 October 2000. 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 first quarter, the half-yearly and the third quarter of the financial period under review 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 independent Auditors' Report there attached, before the announcement of the annual results; and

- 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:
CHENG Shu Shing Raymond *(chairman of the Audit Committee)*
HUI Ka Wah Ronnie
LO Kwok Hung John

Hong Kong, 23 March 2007

Directors' Report

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 38 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 110 to 112 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 15 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 44 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

CONVERTIBLE LOAN NOTE

Convertible loan note issued on 1 September 2004

A convertible loan note of principal amount of HK$40,500,000 was issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") on 1 September 2004. It bears interest rate of 3% per annum and is matured on 31 December 2006 or any other date mutually agreed between the Group and ARTAR. As at 31 December 2005, the outstanding nominal value of the convertible loan note was HK$30,500,000 which can be convertible into a total number of 112,962,962 shares at the initial conversion price of HK$0.27 each.

Directors' Report

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 each for a total of 60,000,000 shares of HK$0.10 each in the Company. On 1 June 2006 and 28 June 2006, the Company had made early partial repayments of the convertible loan note in the amount of HK$8,000,000 and HK$6,300,000 respectively. As at 28 June 2006, the convertible loan note was fully repaid.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the financial statements.

As at 31 December 2006, the reserves of the Company available for distribution to shareholders were approximately HK$19,869,000, comprising contributed surplus of HK$10,842,000 add retained profit of HK$9,027,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$220,970,000.

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 TRANSACTIONS

On 9 January 2007, subsequent to the balance sheet date, the Company entered into an agreement with Celestial Investment Group Limited ("CIGL"). CIGL is the controlling shareholder of the Company and hence a connected person of the Company within the meaning of the GEM Listing Rules. Pursuant to the agreement, the Company would dispose of the entire issued capital of the Game Group to CIGL at a consideration of the higher of HK$120 million or the valuation of the online game business operated by the Game Group as at 31 December 2006. The Game Group is an online game developer and operator in PRC and Taiwan. The entering into of the agreement constituted a connected and discloseable transaction of the Company under the GEM Listing Rules and the disposal will be subject to conditions including, inter alia, the approval of the independent shareholders of the Company at a special general meeting to be convened by the Company. Details of the disposal were set out in the Company's announcement dated 9 January 2007. The Game Group was originally acquired by the Group at a consideration of HK$110 million in September 2005 and the acquisition was completed in January 2006.

RAISING OF FUNDS AND USE OF PROCEEDS

Pursuant to a placing agreement dated 15 September 2005, a total of 155,000,000 ordinary new shares of HK$0.10 each were issued to more than 6 placees (which were not connected persons of the Company under the GEM Listing Rules) at a placing price of HK$0.40 per share on 10 January 2006 ("Placing"). The gross proceeds from the Placing were HK$62,000,000 and the net proceeds were approximately HK$61,900,000, representing a net price of approximately HK$0.399 per share. Pursuant to a subscription agreement dated 15 September 2005, a total of 120,000,000 ordinary new shares of HK$0.10 each were issued to CIGL at a subscription price of HK$0.40 per share on 10 January 2006 ("Subscription"). The net proceeds of the Subscription were HK$48,000,000, representing a net price of approximately HK$0.40 per share. The closing price of each share on 15 September 2005 (the last trading day prior to the fixing of the terms of the placing agreement and the subscription agreement) was HK$0.495. The net proceeds of the two transactions were used for settlement of part of the consideration of the acquisition of the Game Group and as general working capital of the Group.

Directors' Report

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
Wong Kin Yick Kenneth
Law Ping Wah Bernard
Cheng Man Pan Ben
Kwok Oi Kuen Joan Elmond (resigned on 17 March 2006)

Independent Non-executive Directors:

Cheng Shu Shing Raymond
Hui Ka Wah Ronnie
Lo Kwok Hung John

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

(i) Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, all 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 39 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party during the year.

Directors' Report

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 38 to the financial statements.

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 rule 5.46 of the GEM Listing Rules were as follows:

A. The Company

(a) Long positions in the ordinary shares

		Number of shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	679,219,434*	49.15
Wong Kin Yick Kenneth	Beneficial owner	9,860,000	–	0.71
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Cheng Man Pan Ben	Beneficial owner	1,288,000	–	0.09
Cheng Shu Shing Raymond	Beneficial owner	1,100,000	–	0.08
		29,512,000	679,219,434	51.28

* The shares were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2006	granted during the year (Notes (2)&(3))	lapsed during the year (Note (5))	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	(1)	–	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
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
Cheng Man Pan Ben	2/12/2003	1/6/2004 – 31/5/2006	0.340	(4)	650,000	–	(650,000)	–	–
	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
Cheng Shu Shing Raymond	6/10/2005	6/10/2005 – 31/10/2006	0.380		1,000,000	–	(1,000,000)	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	1,000,000	–	1,000,000	0.07
Hui Ka Wah Ronnie	6/10/2005	6/10/2005 – 31/10/2006	0.380		1,000,000	–	(1,000,000)	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	1,000,000	–	1,000,000	0.07
Lo Kwok Hung John	6/10/2005	6/10/2005 – 31/10/2006	0.380		1,000,000	–	(1,000,000)	–	–
	7/7/2006	7/7/2006 – 31/7/2008	0.296		–	1,000,000	–	1,000,000	0.07
Kwok Oi Kuen Joan Elmond	6/10/2005	6/10/2005 – 31/10/2006	0.380	(6)	7,800,000	–	(7,800,000)	–	–
					42,650,000	27,000,000	(42,650,000)	27,000,000	1.93

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 the relevant notes to the section under the heading "Share Option Schemes" below.

(4) The options were 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.

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

(6) Ms Kwok Oi Kuen Joan Elmond resigned as Director of the Company during the year.

(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 owners.

(c) *Aggregate long positions in the ordinary shares and the underlying shares*

Name	**Number of shares**	**Number of underlying shares**	**Aggregate in number**	**Percentage to issued shares as at 31 December 2006** (%)
Kwan Pak Hoo Bankee	679,219,434	6,000,000	685,219,434	49.58
Wong Kin Yick Kenneth	9,860,000	6,000,000	15,860,000	1.14
Law Ping Wah Bernard	17,264,000	6,000,000	23,264,000	1.68
Cheng Man Pan Ben	1,288,000	6,000,000	7,288,000	0.52
Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.15
Hui Ka Wah Ronnie	–	1,000,000	1,000,000	0.07
Lo Kwok Hung John	–	1,000,000	1,000,000	0.07
	708,731,434	27,000,000	735,731,434	53.21

B. Associated corporations (within the meaning of SFO)

CASH

(a) Long positions in the ordinary shares

Name	**Capacity**	**Number of shares** 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
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
		7,707,800	246,042,564	38.66

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

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Number of options outstanding as at 1 January 2006	Number of options granted during year	Number of options 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	–	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
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11//2008	0.323	–	4,000,000	4,000,000	0.61
				–	12,000,000	12,000,000	1.83

Note: The options are held by the Directors in the capacity of beneficial owners.

(c) Aggregate long positions in the ordinary shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2006 (%)
Kwan Pak Hoo Bankee	246,042,564	4,000,000	250,042,564	38.10
Wong Kin Yick Kenneth	–	4,000,000	4,000,000	0.61
Law Ping Wah Bernard	7,644,300	4,000,000	11,644,300	1.77
Cheng Man Pan Ben	63,500	–	63,500	0.01
	253,750,364	12,000,000	265,750,364	40.49

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

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes during the year are set out in note 37(A) to the 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 (Note (1))	Trustee of a discretionary trust	679,219,434	49.15
Cash Guardian (Note (1))	Interest in a controlled corporation	679,219,434	49.15
CASH (Note (1))	Interest in a controlled corporation	638,827,434	46.22
CIGL (Note (1))	Beneficial owner	638,827,434	46.22
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	207,636,000	15.02
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	207,636,000	15.02
Dr Wolfgang Auer von Welsbach (Note (3))	Interest in a controlled corporation	71,502,907	5.17
Auer von Welsbach Privatstiftung (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Beteiliguangsverwaltungs GmbH (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Management Beteiliguangs AG (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Invest AG Aktiengesellschaft (Note (3))	Beneficial owner	71,502,907	5.17

Notes:

(1) This refers to the same number of 679,219,434 shares which were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian. Jeffnet Inc 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, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.

(2) This refers to the same number of 207,636,000 shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the shares held by ARTAR.

Directors' Report

(3) This refers to the same number of 71,502,907 shares held by AvW Invest AG Aktiengesellschaft, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG Aktiengesellschaft was 74% owned by AvW Management Beteiliguangs AG, which in turn was 100% owned by AvW Beteiliguangsverwaltungs GmbH. AvW Beteiliguangsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders include Dr Wolfgang Auer von Welsbach. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiliguangsverwaltungs GmbH and AvW Management Beteiliguangs AG were deemed to be interested in all the shares held by AvW Invest AG Aktiengesellschaft.

Save as disclosed above, as 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.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

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's listed securities.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 43 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the Independent Non-executive Director of the Company in compliance with rule 5.09 of the GEM Listing Rules, and the Company still considers that each of them to be independent.

AUDITORS

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 23 March 2007

Independent Auditors' Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CASH Financial Services Group Limited ("Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 109, 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 control 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 Bermuda Companies Act, 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 control relevant to the entity'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 entity's internal control. 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
23 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

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

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property and equipment	15	**45,720**	12,218
Investment property	16	**5,000**	–
Goodwill	17	**114,878**	4,933
Intangible assets	18	**32,042**	11,062
Other assets	20	**16,241**	7,564
Loan receivables	21	**103**	122
Deposits for acquisition of subsidiaries	22	**–**	56,095
Interests in associates	23	**–**	–
Deferred tax assets	13	**2,346**	3,940
		216,330	95,934
Current assets			
Inventories	24	**674**	–
Account receivables	26	**781,721**	469,528
Loan receivables	21	**19,227**	38,426
Prepayments, deposits and other receivables		**23,764**	16,074
Amounts due from associates	25	**373**	–
Amounts due from fellow subsidiaries	25	**3,463**	972
Listed investments held for trading	27	**54,317**	42,472
Derivative financial instrument	28	**–**	16
Bank deposits under conditions	29	**27,813**	17,125
Bank balances – trust and segregated accounts	25	**574,577**	352,902
Bank balances (general accounts) and cash	25	**73,226**	117,516
		1,559,155	1,055,031
Current liabilities			
Account payables	30	**931,865**	555,565
Deferred revenue		**8,027**	–
Accrued liabilities and other payables		**64,860**	33,939
Taxation payable		**4,428**	1,084
Obligations under finance leases – amount due within one year	31	**215**	150
Bank borrowings – amount due within one year	32	**278,521**	171,737
Convertible loan note – amount due within one year	34	**–**	30,242
		1,287,916	792,717
Net current assets		**271,239**	262,314
		487,569	358,248

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Capital and reserves			
Share capital	33	**138,205**	104,488
Reserves		**341,626**	252,130
Equity attributable to equity holders of the Company		**479,831**	356,618
Minority interests		**3,761**	1,471
Total equity		**483,592**	358,089
Non-current liabilities			
Deferred tax liabilities	13	**2,615**	–
Bank borrowings – amount due after one year	32	**1,247**	–
Obligations under finance leases – amount due after one year	31	**115**	159
		3,977	159
		487,569	358,248

The financial statements on pages 38 to 109 were approved and authorised for issue by the board of Directors on 23 March 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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

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

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

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

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

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

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

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

The 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 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 financial instruments and investment property, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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 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.

Investments in associates

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

Income recognition

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

Investment property

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Retirement benefits costs

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

Borrowing costs

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

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.

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.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

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 and amounts due from associates and fellow subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

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

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible loan note

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

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

Equity instruments

Equity instruments issued by 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Embedded derivatives

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

Derecognition

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

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

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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-based payment 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-based payment reserve.

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK$2,346,000 in relation to unused tax losses has been recognised in the 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$294,808,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

Reversal of allowance of bad and doubtful debts

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

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$114,878,000. Details of the recoverable amount calculation are disclosed in note 19.

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 development cost is approximately HK$12,292,000. Details of the recoverable amount calculation are disclosed in note 18.

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

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Market risk

Equity price risk

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

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.

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

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

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

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

Bank balances are placed in various authorised institutions and the 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 House or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

5. FINANCIAL INSTRUMENTS (continued)

Fair value

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

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

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

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

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

6. REVENUE

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

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

Income statement for the year ended 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Balance sheet as at 31 December 2006

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

Other information for the year ended 31 December 2006

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Income statement for the year ended 31 December 2005

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

Balance sheet as at 31 December 2005

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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Other information for the year ended 31 December 2005

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

Geographical segments

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

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

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

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

Additions to property and equipment

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

8. SALARIES, COMMISSION AND RELATED BENEFITS

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

9. FINANCE COSTS

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

10. DIRECTORS' REMUNERATION

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

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

10. DIRECTORS' REMUNERATION (continued)

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

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

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

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

11. EMPLOYEES' REMUNERATION

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

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

Their remuneration were within the following bands:

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

12. PROFIT BEFORE TAXATION

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

13. TAXATION CHARGE (CREDIT)

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

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

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

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

13. TAXATION CHARGE (CREDIT) (continued)

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

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

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

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

13. TAXATION CHARGE (CREDIT) (continued)

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

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

14. EARNINGS PER SHARE

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

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

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

14. EARNINGS PER SHARE (continued)

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.

15. PROPERTY AND EQUIPMENT

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

15. PROPERTY AND EQUIPMENT (continued)

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

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

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

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

16. INVESTMENT PROPERTY

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

All of the 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.

17. GOODWILL

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

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

18. INTANGIBLE ASSETS

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

18. INTANGIBLE ASSETS (continued)

Intangible assets amounting to HK$9,092,000 represent trading rights in the exchanges in Hong Kong. Until 31 December 2004, the trading rights had been amortised on a straight-line basis over 10 years. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of the trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives and discontinued amortising the trading rights from 1 January 2005 onwards. Particulars regarding impairment testing on the trading rights are disclosed in note 19.

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

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

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

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

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

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

18. INTANGIBLE ASSETS (continued)

The domain name is considered by the 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 has been supported by 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.

19. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS

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

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

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

19. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS (continued)

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

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

20. OTHER ASSETS

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

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

21. LOAN RECEIVABLES

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

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

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

	2006 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 three years	**25**	25
In more than three years but not more than four years	**27**	26
In more than four years but not more than five years	**28**	28
In more than five years	**–**	20
	19,330	38,548

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

22. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

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

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

The acquisition was completed on 10 January 2006.

23. INTERESTS IN ASSOCIATES

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

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

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

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

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

24. INVENTORIES

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

25. OTHER FINANCIAL ASSETS AND LIABILITIES

Amounts due from associates/fellow subsidiaries

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

Bank balances – trust and segregated accounts

From the 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 bearing interest at market prevailing rates with maturity of three months or less.

26. 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**	70,662
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**3,479**	2,275
Account receivables arising from the business of provision of corporate finance services	**372**	1,032
Account receivables arising from the business of provision of online game services	**12,715**	–
	781,721	469,528

Account receivables are netted off by allowance for bad and doubtful debts of HK$20,086,000 (2005: HK$27,872,000).

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

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

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

26. ACCOUNT RECEIVABLES (continued)

Included in account receivables from margin clients arising from the business of dealing in securities is an amount due from an entity in which Mr Kwan Pak Hoo Bankee has a controlling interest and is a 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 as well as account receivables arising from the business of provision of corporate finance services and online game services, the Group allows a credit period of 30 days. The aged analysis is as follows:

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

27. LISTED INVESTMENTS HELD FOR TRADING

Listed investments held for trading include:

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

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

28. DERIVATIVE FINANCIAL INSTRUMENT

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

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

29. BANK DEPOSITS UNDER CONDITIONS

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

The bank deposits under conditions carry floating interest at prevailing market rate per annum. The effective interest rates on the 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 covenants to maintain deposits of not less than HK$15,000,000 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is withdrawn.

(b) The Group's bank deposits of HK$11,128,000 (2005: HK$918,000) were pledged to secure the general banking facilities granted by banks. The bank deposits will mature when the banking facilities are withdrawn.

30. ACCOUNT PAYABLES

	2006 HK$'000	2005 HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**679,498**	347,961
Margin clients	**106,132**	77,148
Account payables to clients arising from the business of dealing in futures and options	**142,500**	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**2,798**	3,010
Account payables arising from the online game services	**937**	–
	931,865	555,565

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

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

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

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

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

31. OBLIGATIONS UNDER FINANCE LEASES

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

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

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

32. BANK BORROWINGS

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

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

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

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

(a) corporate guarantees from the Company; and

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

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

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

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

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

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

33. SHARE CAPITAL

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

33. SHARE CAPITAL (continued)

Notes:

(a) Increase of authorised share capital

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

(b) Conversion of convertible loan note

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

(c) Exercise of share options

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

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

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

(d) Issue of new shares

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

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

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

34. CONVERTIBLE LOAN NOTE

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

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

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

34. CONVERTIBLE LOAN NOTE (continued)

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

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

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

The fair value of the liability component of the convertible loan note at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan note at the balance sheet date, approximates its carrying amount.

35. MAJOR NON-CASH TRANSACTIONS

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

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

36. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisitions of business

(i) Netfield Group

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

	Note	**Acquiree's carrying amount before combination** HK$'000	**Fai value adjustment** HK$'000	**Fair value** HK$'000
Net assets acquired:				
Property and equipment		2,615	–	2,615
Prepayments, deposits and other receivables		1,496	–	1,496
Bank balances and cash		2,300	–	2,300
Accrued liabilities and other payables		(6,349)	–	(6,349)
Amount due to a shareholder		(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property		–	16,390	16,390
Deferred tax liabilities		–	(2,459)	(2,459)
		(24,632)	13,931	(10,701)
Amount due to a shareholder assigned to the Group				24,694
Goodwill				102,491
Cash consideration				116,484
Total consideration satisfied by:				
Deposit paid	22			56,095
Cash consideration paid				60,389
				116,484
Net cash outflow arising on acquisition:				
Total cash payment				(60,389)
Bank balances and cash acquired				2,300
				(58,089)

36. ACQUISITIONS OF SUBSIDIARIES (continued)

(a) Acquisitions of business (continued)

(i) Netfield Group (continued)

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

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

(ii) 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 has been completed on 15 November 2006. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$7,454,000.

36. ACQUISITIONS OF SUBSIDIARIES (continued)

(a) Acquisitions of business (continued)

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

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

36. ACQUISITIONS OF SUBSIDIARIES (continued)

(a) Acquisitions of business (continued)

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

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.

If the acquisitions discussed in (i) and (ii) above had been completed on 1 January 2006, the Group's total revenue for the year would have been approximately HK$398,704,000, and profit for the year would have been approximately HK$35,320,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of 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.

(b) Acquisition of assets and liabilities from CASH

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

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

37. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

The Company's share option scheme ("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 Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

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

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

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

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

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

37. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

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

37. SHARE OPTION SCHEMES (continued)

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

Notes:

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

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

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

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

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

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

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

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

(7) No option was cancelled during the year.

37. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

Expected volatility was determined by using the historical volatility of the Company'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 the Company.

37. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CASH

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

(i) The purpose was to provide incentives to:

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

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

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

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

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

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

37. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CASH (continued)

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

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

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

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

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

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

38. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the 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 the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the 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 retirement benefits scheme charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$3,528,000 (2005: HK$2,366,000) and HK$93,000 (2005: HK$316,000) respectively for the year ended 31 December 2006.

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

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

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 above benefit schemes of HK$1,086,000.

39. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

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

(b) During the year ended 31 December 2006, the Group received interest from margin financing of approximately HK$1,199,000 (2005: HK$928,000) from Cash Guardian, in which Mr Kwan Pak Hoo Bankee, a 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.

(c) During the year ended 31 December 2006, the Group received interest from margin financing of approximately HK$39,525 (2005: HK$8,700) from certain wholly-owned subsidiaries of CASH. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

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

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

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

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

40. COMMITMENTS

Capital commitment

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

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

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	**8,590**	6,582
In the second to fifth year inclusive	**918**	4,826
	9,508	11,408

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

42. CONTINGENT LIABILITIES

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

43. POST BALANCE SHEET EVENTS

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

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

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CASH Asset Management Limited	Hong Kong	HK$200,000	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	100	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	100	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	100	Money lending
Celestial Securities Limited	Hong Kong	HK$140,000,000	100	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US$1	100	Investment holding
CASH Frederick Taylor Limited	Hong Kong	HK$1,000,000	70	Financial advisory consultancy
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	51	Online game operator
摩力游(上海)信息科技有限公司 (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	100	Online game developer
上海摩力游數字娛樂有限公司 (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited	PRC	RMB1,000,000	100	Online game operator

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

45. SUMMARISED BALANCE SHEET OF THE COMPANY

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

Five-Year Financial Summary

RESULTS

	Year ended 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(restated)	(restated)	(restated)
		(Note ii)	(Note i and ii)	(Note i and ii)	(Note i and ii)
Revenue	**383,228**	213,557	239,972	191,102	195,736
Profit (Loss) before taxation	**46,137**	23,847	21,162	10,169	(209,494)
Taxation (charge) credit	**(5,939)**	3,440	(350)	(134)	(3)
Profit (Loss) for the year	**40,198**	27,287	20,812	10,035	(209,497)
Attributable to:					
Equity holders of the Company	**39,944**	26,626	20,388	9,798	(209,497)
Minority interests	**254**	661	424	237	–
	40,198	27,287	20,812	10,035	(209,497)

Five-Year Financial Summary

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(restated)	(restated)	(restated)
		(Note ii)	(Note i and ii)	(Note i and ii)	(Note i and ii)
Property and equipment	**45,720**	12,218	20,725	29,501	48,547
Goodwill	**114,878**	4,933	4,933	5,903	–
Intangible assets	**32,042**	11,062	9,092	10,922	12,752
Other non-current assets	**23,690**	67,721	30,087	12,187	17,109
Current assets	**1,559,155**	1,055,031	963,338	990,098	560,042
Total assets	**1,775,485**	1,150,965	1,028,175	1,048,611	638,450
Current liabilities	**1,287,916**	792,717	748,027	805,193	466,251
Non-current convertible loan notes	**–**	–	39,834	124,065	197,917
Other non-current liabilities	**3,977**	159	–	56	244
Total liabilities	**1,291,893**	792,876	787,861	929,314	664,412
Net assets (liabilities)	**483,592**	358,089	240,314	119,297	(25,962)
Minority interests	**3,761**	1,471	810	386	–

Five-Year Financial Summary

Notes:

(i) By 31 December 2003, loss on trading of securities, options and futures were classified as one of the items in turnover. 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 turnover 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 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 and HKAS 32 Financial Instruments: Disclosure and Presentation.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CASH Financial Services Group Limited ("Company") will be held at Salon 6, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 1 June 2007, Friday, at 9:30 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 declare a final dividend.

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

4. 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.

5. 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 Growth Enterprise Market ("GEM") of 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 GEM 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.5A and 5B 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.5B 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.5A above.

6. 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 GEM 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

7. To consider and, if thought fit, to pass the following resolution, with or without amendments, as a special resolution:

   THAT, with effect from the date of passing of this resolution, the share premium account of the Company as at the date of this resolution be reduced by an amount of HK$100,000,000 and such amount be transferred to the contributed surplus account of the Company where it may be utilised in accordance with the bye-laws of the Company and all applicable laws and the Directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit or appropriate in order to effect and implement the foregoing.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 30 March 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 Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, being Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 30 March 2007.

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