Notes to the Financial Statements

For the year ended 31 December 2005

1. GENERAL

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

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

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 40.

2. CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 18 July 2005, the name of the Company was changed from Pricerite Group Limited (實惠集團有限公司) to CASH Retail Management Group Limited (時惠環球控股有限公司). The change of name took effect on 20 July 2005.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES

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

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Business combinations

In the current year, the Group has applied HKFRS 3 *Business combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. This change has no effect on the results for prior years as the goodwill previously capitalised before 1 January 2005 was fully impaired. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year.

In the current year, the Group has also applied HKAS 21 *The effects of changes in foreign exchange rates* which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. Therefore, no prior period adjustment has been made. In the current year, the Group acquired a foreign operation, and goodwill arose on the acquisition of that foreign operation has been translated at the closing rate at 31 December 2005, but there is no significant impact to the Group as the effect of changes in exchange rate is insignificant, hence no translation reserves has been arisen at 31 December 2005.

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Share-based payments

In the current year, the Group has applied HKFRS 2 *Share-based payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to Directors and employees of the Group, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. The adoption of the HKFRS 2 has no material effect on the results for current nor prior accounting periods as all the share options granted had vested before 1 January 2005. Accordingly, no prior period adjustment is required.

Financial instruments

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

Convertible loan notes

The principal impact of HKAS 32 on the Group is in relation to convertible loan notes issued by the Company that contain both liability and equity components. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

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

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

Prior to 1 January 2005, the Group classified and measured its investments in equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for that period. From 1 January 2005 onwards, the Group has classified and measured its investments in equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", or "available-for-sale financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition.

All the investments in equity securities of the Group on 1 January 2005 amounting to HK$19,083,000 has been reclassified to investments held for trading in accordance with transitional provisions of HKAS 39. The adoption of HKAS 39 with respect to the classification and measurement of investments in equity securities has had no material financial impact to the Group, and accordingly no adjustment is required to accumulated losses as at 1 January 2005.

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets and financial liabilities other than investments in equity securities

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

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 4 for the financial impact).

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

Investment properties

In the current year, the Group, for the first time, applied HKAS 40 *Investment property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise. In previous years, investment properties under predecessor standard SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change has had no material effect on the results for prior periods as the Group did not hold any investment property in prior years.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current year, the Group has applied HK(SIC) Interpretation 21 ("HK(SIC) INT-21") *Income taxes – Recovery of revalued non-depreciable assets* which removes the presumption that the carrying amount of investment properties is to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) INT-21, this change in accounting policy has been applied retrospectively. This change has had no material effect on the results for prior years and accordingly no prior period adjustment is required.

Notes to the Financial Statements

For the year ended 31 December 2005

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/ CHANGES IN ACCOUNTING POLICIES (continued)

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company do not expect the application of these standards, amendments or interpretations will have material effect on the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

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

Notes to the Financial Statements

For the year ended 31 December 2005

4. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

The effects of the changes in accounting policies described in note 3 on the results for the current and prior years are as follows:

	2005	2004
	HK$'000	HK$'000
Increase in imputed interest expenses on the liability component of convertible loan notes	**(2,165)**	–
Amortisation of prepaid lease payments	**(102)**	(102)
Depreciation of leasehold land	**235**	102
Fair value changes on investment property	**454**	–
Reversal of surplus recognised on revaluation of leasehold land	**(6,503)**	(2,658)
Recognition of deficit on revaluation of buildings	**–**	(144)
Increase in loss for the year	**(8,081)**	(2,802)

Notes to the Financial Statements

For the year ended 31 December 2005

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

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

	As at 31.12.2004 (originally stated)	**Retrospective adjustment**	**As at 31.12.2004 (restated)**	**Prospective adjustment**	**As at 1.1.2005 (restated)**
	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000
Balance sheet items					
Property, plant and equipment	98,990	(11,300)	87,690	–	87,690
Prepaid lease payments	–	4,796	4,796	–	4,796
Club memberships	1,760	–	1,760	(1,760)	–
Available-for-sale investments	–	–	–	1,760	1,760
Listed investments in securities	19,083	–	19,083	(19,083)	–
Listed investments held for trading	–	–	–	19,083	19,083
Other assets and liabilities	30,463	–	30,463	–	30,463
Total effects on assets and liabilities	150,296	(6,504)	143,792	–	143,792
Accumulated losses	(87,666)	(6,504)	(94,170)	–	(94,170)
Other equity	237,962	–	237,962	–	237,962
Total effects on equity	150,296	(6,504)	143,792	–	143,792

Note: The amounts represent adjustment to comparative figures for 2004 arising from reclassification of leasehold interests in land to prepaid lease payments under operating lease according to HKAS 17. This change of accounting policy has been applied retrospectively.

Notes to the Financial Statements

For the year ended 31 December 2005

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

The financial effects of the application of the HKAS 17 to the Group's equity on 1 January 2004 are summarised below:

	As originally stated	Adjustments	As restated
	HK$'000	HK$'000	HK$'000
Accumulated losses	(5,049)	(3,702)	(8,751)

5. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

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

Capitalised goodwill arising on an acquisition of a subsidiary 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 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.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment over their estimated useful lives and after taking into account 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 terms of the relevant leases.

An item of property, plant 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 the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Impairment loss other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its 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, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

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, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that other HKFRS.

Leases

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 lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

Inventories

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

Revenue recognition

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

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

Taxation

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

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

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the 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.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Retirement benefits costs

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

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.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including accounts payable, accrued liabilities and other payables, amounts due to affiliated companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible loan notes

Convertible loan notes issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes 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 notes 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 notes 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.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction 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 notes using the effective interest method.

Equity instruments

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

Notes to the Financial Statements

For the year ended 31 December 2005

5. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

Equity settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share option reserve).

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

Notes to the Financial Statements

For the year ended 31 December 2005

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Write-down of inventories

The management of the Group reviews an aging analysis at each balance sheet date and identifies the slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at balance sheet date and makes the necessary write-down for obsolete items.

Income taxes

As at 31 December 2005, a deferred tax asset of approximately HK$7,254,000 in relation to depreciation allowance 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 unused tax losses of approximately HK$213,168,000. 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.

Notes to the Financial Statements

For the year ended 31 December 2005

7. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's financial instruments include bank balances and borrowings, pledged bank deposits, account receivables, deposits and other receivables, investments held for trading, amounts due from fellow subsidiaries and related companies, accounts payable, accrued liabilities and other payables as well as amounts due to related companies. 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.

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 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

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

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt and loan receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significant reduced.

Notes to the Financial Statements

For the year ended 31 December 2005

7. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Interest rate risk

The Group has exposed to both fair value interest rate risk and cash flows interest rate risk through the impact of the rate changes on fixed interest rate bank borrowings and floating interest rate bank borrowings respectively.

The Group's interest bearing financial assets are mainly bank balances and cash. The Group is exposed to interest rate risk through the impact of the rate changes.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign currency risk

The Group's transactions are mainly denominated in Hong Kong dollars (the functional currency of most group companies).

Certain account receivables and payables of the Group are denominated in Renminbi and is therefore exposed to Renminbi currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

8. TURNOVER

Turnover represents the invoiced value of sales of furniture and household goods and trendy digital products, net of discounts and returns.

Notes to the Financial Statements

For the year ended 31 December 2005

9. SEGMENT INFORMATION

The Directors report the geographical segments as the Group's primary segment information.

Geographical segments

Before the acquisition of Timecastle International Limited and its subsidiaries ("Timecastle Group") on 30 December 2005, the Group's turnover was substantially derived from the retailing activity carried out in Hong Kong. Accordingly, no analysis of the Group's sales by location of markets is presented for the years ended 31 December 2004 and 2005 and no other information is presented for the year ended 31 December 2004. Details of the acquisition of the Timecastle Group are set out in note 32(i).

The following is an analysis of the carrying amount of segment assets and liabilities, analysed by the geographical market in which the customers are located, as well as the geographical area in which the assets are located as at 31 December 2005:

	Hong Kong	**PRC**	**Consolidated**
	HK$'000	HK$'000	HK$'000
ASSETS			
Segment assets	539,496	309,727	849,223
LIABILITIES			
Segment liabilities	508,379	107,356	615,735

No analysis of the carrying amount of assets and liabilities by location of market as well as the geographical area in which the assets are located as at 31 December 2004 is presented as, the assets and liabilities of the Group were substantially located in the Hong Kong and the majority of its revenue is from Hong Kong.

Notes to the Financial Statements

For the year ended 31 December 2005

9. SEGMENT INFORMATION (continued)

Geographical segments (continued)

Other information for the year ended 31 December 2005 are disclosed as below:

	Hong Kong HK$'000	PRC HK$'000	Consolidated HK$'000
Addition of property, plant and equipment	22,155	–	22,155
Depreciation of property, plant and equipment	25,125	–	25,125
Amortisation of prepaid lease payments	102	–	102
Impairment loss in respect of amounts due from accounts receivables	845	–	845
Impairment loss in respect of amounts due from other receivables	1,488	–	1,488
Write-down of inventories	11,366	–	11,366
Loss on disposal of property, plant and equipment	1,947	–	1,947
Net foreign exchange loss	10	–	10
Acquisition of subsidiaries in relation to property, plant and equipment	456	88,231	88,687

Business segments

Before the acquisition of the Timecastle Group which is engaged in the operating of a department store on 30 December 2005, the Group was organised in retailing of furniture and household goods and trendy digital products activity. Accordingly, no analysis of the Group's sales by business segment is presented for the years ended 31 December 2004 and 2005.

Notes to the Financial Statements

For the year ended 31 December 2005

9. SEGMENT INFORMATION (continued)

Business segments (continued)

The following is an analysis of the carrying amount of segment assets analysed by the business segment as at 31 December 2005:

	Retailing of furniture and household goods and trendy digital products	Operating of department store	Consolidated
	HK$'000	HK$'000	HK$'000
Segment assets	539,496	309,727	849,223

As the Group's assets were substantially used for retailing of furniture and household goods as at 31 December 2004, no analysis of the carrying amount of assets analysed by business segment is presented.

10. FINANCE COSTS

	2005	2004
	HK$'000	HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**3,640**	3,028
Finance leases	**1**	10
Imputed interest expenses on convertible loan notes	**2,165**	–
	5,806	3,038

Notes to the Financial Statements

For the year ended 31 December 2005

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for both years. Tax charge for the year ended 31 December 2004 represented underprovision of taxation in prior years.

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

	2005	2004
	HK$'000	HK$'000
		(restated)
Loss before taxation	**(76,591)**	(85,413)
Taxation at income tax rate of 17.5%	**(13,403)**	(14,947)
Tax effect of income not taxable for tax purpose	**(1,537)**	(3)
Tax effect of expenses not deductible for tax purpose	**6,759**	4,882
Tax effect of estimated tax loss not recognised	**8,181**	10,068
Underprovision of taxation in prior years	**–**	6
Tax charge	**–**	6

Details of the deferred tax assets are set out in note 22.

Notes to the Financial Statements

For the year ended 31 December 2005

12. LOSS FOR THE YEAR

	2005 HK$'000	2004 HK$'000 (restated)
Loss for the year has been arrived at after charging (crediting):		
Impairment loss recognised in respect of amounts due from account receivables (included in other operating expenses)	**845**	1,224
Impairment loss recognised in respect of amounts due from other receivables (included in other operating expenses)	**1,488**	5,046
Write-down of inventories (included in cost of sales)	**11,366**	19,041
Amortisation of prepaid lease payments	**102**	102
Auditors' remuneration	**1,500**	850
Depreciation of property, plant and equipment		
Owned assets	**25,125**	26,035
Leased assets	**–**	168
	25,125	26,203
Loss on disposal of property, plant and equipment	**1,947**	4,646
Operating lease rentals in respect of land and buildings		
Minimum lease payments	**94,975**	109,140
Contingent rents (note)	**5,553**	3,233
	100,528	112,373
Staff costs (including Directors' remuneration)		
Wages and salaries	**95,563**	89,050
Redundancy costs	**–**	2,000
Contributions to retirement benefits scheme	**3,031**	3,917
	98,594	94,967
Net realised result of disposal and change in fair value of investments held for trading	**(2,161)**	(523)
Interest income	**(1,738)**	(73)
Net foreign exchange loss (gain)	**10**	(7)

Note: Amount of contingent rent is determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

Notes to the Financial Statements

For the year ended 31 December 2005

13. DIRECTORS' REMUNERATION

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

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Kwok Lai Ling Elaine HK$'000	Leung Siu Pong James HK$'000	Li Yuen Cheuk Thomas HK$'000	Tin Yuen Sin Carol HK$'000	Cheng Pui Lai Majone HK$'000	Lai Wai Kwong Daryl HK$'000	Lo Ming Chi Charles HK$'000	Hui Ka Wah Ronnie HK$'000	Leung Ka Kui Johnny HK$'000	Total 2005 HK$'000
2005												
Fees:												
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	–	100	100	50	250
Other remuneration paid to Executive Directors:												
Salaries, allowances and benefits in kind	600	–	600	440	–	40	477	–	–	–	–	2,157
Contributions to retirement benefits scheme	12	–	30	12	–	2	3	–	–	–	–	59
Total remuneration	612	–	630	452	–	42	480	–	100	100	50	2,466

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Kwok Lai Ling Elaine HK$'000	Leung Siu Pong James HK$'000	Li Yuen Cheuk Thomas HK$'000	Chan Yau Ching Bob HK$'000	Cheng Pui Lai Majone HK$'000	Lai Wai Kwong Daryl HK$'000	Lo Ming Chi Charles HK$'000	Hui Ka Wah Ronnie HK$'000	Lo Kwok Hung John HK$'000	Total 2004 HK$'000
2004												
Fees:												
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:												
Salaries, allowances and benefits in kind	600	–	271	460	–	–	718	–	–	–	–	2.049
Contributions to retirement benefits scheme	12	–	12	12	–	–	12	–	–	–	–	48
Total remuneration	612	–	283	472	–	–	730	–	100	100	–	2,297

During the year ended 31 December 2005, Ms Tin Yuen Sin Carol was appointed as an Executive Director and Ms Cheng Pui Lai Majone resigned as an Executive Director, and Mr Leung Ka Kui Johnny was appointed as an Independent Non-executive Director and Mr Lai Wai Kwong Daryl resigned as an Independent Non-executive Director.

Notes to the Financial Statements

For the year ended 31 December 2005

13. DIRECTORS' REMUNERATION (continued)

During the year ended 31 December 2004, Mr Chan Yau Ching Bob resigned as Executive Director, and Dr Hui Ka Wah Ronnie and Mr Lai Wai Kwong Daryl were appointed as Independent Non-executive Directors and Mr Lo Kwok Hung John resigned 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 remuneration during both years.

14. EMPLOYEES' REMUNERATION

The five highest paid employees included three (2004: three) Directors of the Company, details of whose remuneration are set out in note 13 above. The details of the remuneration of the remaining two (2004: two) individuals for the year are as follows:

	2005 **HK$'000**	2004 HK$'000
Salaries, allowances and benefits in kind	**1,434**	879
Contributions to retirement benefits scheme	**21**	22
	1,455	901

Their remuneration were within the following band:

	2005 **Number of** **employees**	2004 Number of employees
HK$1,000,000 or less	**2**	2

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15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2005 together with the comparative figures for 2004 are calculated as follows:

	2005	2004
	HK$'000	HK$'000
		(restated)
Loss		
Loss for the purpose of calculating basic and diluted loss per share (loss for the year attributable to equity holders of the Company)	**(76,591)**	(85,419)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**879,443,040**	615,420,641

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options and convertible loan notes existed during the year since their exercise would result in a decrease in loss per share.

Changes in the Group's accounting policies during the year are described in details in note 4. To the extent that those changes have had an impact on results reported for the year ended 31 December 2005 and 2004, they have had an impact on the amounts reported for loss per share.

Notes to the Financial Statements

For the year ended 31 December 2005

15. LOSS PER SHARE (continued)

The following table summarises the impact of the changes of the Group's accounting policies on both basic and diluted loss per share:

	Impact on basic and diluted loss per share 2005 HK cents	2004 HK cents
Figures before adjustments	**(0.08)**	(0.13)
Adjustments arising from changes in accounting policies (see note 4)	**(0.01)**	(0.01)
Reported/restated	**(0.09)**	(0.14)

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST OR VALUATION						
At 1 January 2004						
– as originally stated	36,000	83,947	–	136,189	3,551	259,687
– effect on adoption of HKAS 17	(8,600)	–	–	–	–	(8,600)
– as restated	27,400	83,947	–	136,189	3,551	251,087
Deficit on revaluation	(144)	–	–	–	–	(144)
Additions	–	4,967	–	15,059	–	20,026
Acquired on acquisition of subsidiaries	4,600	11	–	803	–	5,414
Disposals	–	(12,531)	–	(11,006)	(220)	(23,757)
At 31 December 2004 and 1 January 2005	31,856	76,394	–	141,045	3,331	252,626
Surplus on revaluation	3,744	–	–	–	–	3,744
Additions	–	18,850	–	3,305	–	22,155
Acquired on acquisition of subsidiaries	–	36,391	49,337	2,959	–	88,687
Transferred to investment property	(4,600)	–	–	–	–	(4,600)
Disposals	–	(11,254)	–	(8,860)	–	(20,114)
At 31 December 2005	31,000	120,381	49,337	138,449	3,331	342,498

Notes to the Financial Statements

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Analysis of cost or valuation:						
At cost	–	120,381	49,337	138,449	3,331	311,498
At valuation	31,000	–	–	–	–	31,000
	31,000	120,381	49,337	138,449	3,331	342,498
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2004	–	58,322	–	95,304	2,029	155,655
Provided during the year	1,556	10,003	–	14,181	463	26,203
Impairment loss recognised in the income statement	–	899	–	1,161	–	2,060
Eliminated on disposals	–	(10,077)	–	(8,824)	(81)	(18,982)
At 31 December 2004 and 1 January 2005	1,556	59,147	–	101,822	2,411	164,936
Provided during the year	2,258	9,841	–	12,614	412	25,125
Eliminated on revaluation	(3,760)	–	–	–	–	(3,760)
Impairment loss recognised in the income statement	–	1,236	–	3,236	–	4,472
Eliminated on transfer to investment property	(54)	–	–	–	–	(54)
Eliminated on disposals	–	(10,124)	–	(8,043)	–	(18,167)
At 31 December 2005	–	60,100	–	109,629	2,823	172,552
CARRYING VALUE						
At 31 December 2005	31,000	60,281	49,337	28,820	508	169,946
At 31 December 2004	30,300	17,247	–	39,223	920	87,690

Notes to the Financial Statements

For the year ended 31 December 2005

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Plant and machinery	7 to 10 years
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	5 years

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

The Group has pledged its buildings having a carrying value of HK$31,000,000 (2004: HK$25,700,000) to secure general banking facilities granted to the Group.

Buildings having a carrying value of HK$31,000,000 (2004: HK$30,300,000) were revalued on 31 December 2005 at HK$31,000,000 (2004: HK$30,300,000) by Knight Frank Hong Kong Limited, independent professional valuers not connected to 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 comparable market transactions. The resulting surplus of HK$7,504,000 arising from the revaluation was credited to building revaluation reserve of HK$701,000 and income statement of HK$6,803,000 as fair value change on buildings.

Had these buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$32,952,000 (2004: HK$38,793,000).

During the year, the Directors reassessed the recoverable amount of the property, plant and equipment of those shops of which their tenancy agreements either will be terminated in 2006 and will not be renewed and recognised an impairment loss of approximately HK$4,472,000 (2004: HK$2,060,000).

At 31 December 2004, the net book value of motor vehicles of HK$920,000 included an amount of HK$334,000 in respect of assets held under finance leases. The finance lease obligation was fully settled during the year ended 31 December 2005.

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For the year ended 31 December 2005

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent leasehold land in Hong Kong held under medium-term leases.

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

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2004, 31 December 2004 and 1 January 2005	–
Transferred from property, plant and equipment	4,546
Increase in fair value during the year	454
At 31 December 2005	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 2005 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 comparable market transactions and rental yield for similar properties.

The investment property is located in Hong Kong and held under medium-term lease.

Notes to the Financial Statements

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19. GOODWILL

	HK$'000
COST	
At 1 January 2004	–
Arising on acquisition of subsidiaries (note 32 (iii))	1,863
At 31 December 2004 and 1 January 2005	1,863
Arising on acquisition of subsidiaries (note 32 (i) & (ii))	3,475
At 31 December 2005	**5,338**
IMPAIRMENT	
At 1 January 2004	–
Impairment loss recognised in the income statement	1,863
At 31 December 2004 and 1 January 2005	1,863
Impairment loss recognised in the income statement	1,100
At 31 December 2005	**2,963**
CARRYING VALUE	
At 31 December 2005	**2,375**
At 31 December 2004	–

Notes to the Financial Statements

For the year ended 31 December 2005

19. GOODWILL (continued)

For the purposes of impairment testing, goodwill has been allocated to three individual cash generating units ("CGUs"). The carrying amounts of the relevant goodwill as at 31 December 2005 allocated to these units are as follows:

	Goodwill	**Impairment loss recognised**	**Carrying value**
	HK$'000	HK$'000	HK$'000
Wholesale and retailing of branded household products (Unit A)	1,863	(1,863)	–
Retailing of furniture, household and personal care products (Unit B)	1,100	(1,100)	–
Operation of department store (Unit C)	2,375	–	2,375
	5,338	(2,963)	2,375

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A and Unit B

Due to the continuous losses incurred by the subsidiaries comprising of Unit A and Unit B, the Directors reassessed the recoverable amount of goodwill arising on the acquisition of these subsidiaries and recognised an impairment loss of HK$1,100,000 in the year ended 31 December 2005 and HK$1,863,000 in the year ended 31 December 2004 for Unit B and Unit A respectively.

Such impairment losses for goodwill will not be reversed in subsequent periods in accordance with the Group's accounting policies set out in note 5.

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For the year ended 31 December 2005

19. GOODWILL (continued)

Unit C

The recoverable amount of the Unit C is determined from value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, budgeted growth rates and expected changes on selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Unit C. The growth rates are made with reference to industry growth forecast together with management's estimation. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budget approved by management for the next two years and extrapolates cash flows for the following three years based on an estimated constant growth rate of 4%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flow is 13.5%.

20. CLUB MEMBERSHIPS/AVAILABLE-FOR-SALE INVESTMENTS

Upon the adoption of HKAS 39 on 1 January 2005, the Group's club memberships of HK$1,760,000 have been reclassified to available-for-sale investments.

Available-for-sale investments are stated at fair value. Fair values of those investments have been determined by reference to bid price quoted in the secondary market.

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21. PREPAID RENTAL/DEPOSITS PAID FOR ACQUISITION OF LEASEHOLD IMPROVEMENTS

Prepaid rental represents prepayments for leasing a new department store ("New Department Store") in the PRC in accordance with a memorandum signed on 10 May 2004 ("Memorandum"). The lessor of the New Department Store is 北京正鵬房地產有限公司 ("北京正鵬"), which is a related company of the Group.

Deposits paid for acquisition of leasehold improvements represent deposits paid to 北京正鵬 for acquisition of leasehold improvements in accordance to the Memorandum.

Details of the Memorandum are set out in note 34.

北京正鵬 is a related company as the Directors consider its management can exercise significant influence to major subsidiaries of the Timecastle Group from daily operation.

22. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation	**Depreciation over tax allowance**	**Estimated tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	(1,829)	–	1,829	–
(Credit) Charge to income statement	(708)	–	708	–
At 31 December 2004 and 1 January 2005	(2,537)	–	2,537	–
(Credit) Charge to income statement	(1,104)	–	1,104	–
Acquisition of subsidiaries (note 32 (i))	–	7,254	–	7,254
At 31 December 2005	**(3,641)**	**7,254**	**3,641**	**7,254**

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22. DEFERRED TAX ASSETS (continued)

At the balance sheet date, the Group had unused estimated tax losses of HK$206,865,000 (2004: HK$153,808,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$20,806,000 (2004: HK$14,497,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$186,059,000 (2004: HK$139,311,000) due to the unpredictability of future profit streams. These estimated tax losses may be carried forward indefinitely.

23. INVENTORIES

	2005	2004
	HK$'000	HK$'000
Finished goods held for sale	**47,863**	59,013
Merchandise held for resale	**3,601**	–
	51,464	59,013

24. OTHER FINANCIAL ASSETS

The Group allows an average credit period of 30 – 90 days to trade debtors. The aged analysis of account receivables at the balance sheet date is as follows:

	2005	2004
	HK$'000	HK$'000
0-30 days	**1,875**	985
31-60 days	**27**	430
61-90 days	**29**	144
Over 90 days	**201**	297
	2,132	1,856

Included in the prepayments, deposits and other receivables, HK$45,000,000 represents receivable from the subscribers for the Company's placing shares and HK$140,000,000 represents deposit paid for acquisition of the Timecastle Group refundable from ex-shareholder of the Timecastle Group. Details of the acquisition are set out in note 32(i).

Notes to the Financial Statements

For the year ended 31 December 2005

24. OTHER FINANCIAL ASSETS (continued)

At 31 December 2005, prepayments, deposits and other receivables, included deposit paid to 北京鼎名物業管理有限公司 ("北京鼎名"), deposit paid and prepaid rental to 東方銀座廣場有限公司 ("Oriental Kenzo Plaza").

Deposit paid to 北京鼎名 and deposit paid and prepaid rental to Oriental Kenzo Plaza and amounts due from related companies were analysed as follows:

Name	Terms	2005 HK$'000
Deposit paid/prepaid rental to related companies:		
北京鼎名	Unsecured, non-interest bearing and repayable on demand	11,037
Oriental Kenzo Plaza	Unsecured, non-interest bearing and repayable on demand	96,153
		107,190

Name	Terms	2005 HK$'000
Amounts due from related companies:		
北京鼎名	Unsecured, non-interest bearing and repayable on demand	8,269
Oriental Kenzo Plaza	Unsecured, non-interest bearing and repayable on demand	24,170
		32,439

Notes to the Financial Statements

For the year ended 31 December 2005

24. OTHER FINANCIAL ASSETS (continued)

北京鼎名 and Oriental Kenzo Plaza are related companies as the Directors consider their management can exercise significant influence to major subsidiaries of the Timecastle Group from daily operation.

Amounts due from fellow subsidiaries were unsecured, non-interest bearing and had no fixed terms of repayments.

The Directors consider that the carrying amount of the current financial assets noted above approximate their fair values.

25. LISTED INVESTMENTS IN SECURITIES/LISTED INVESTMENTS HELD FOR TRADING

	2005	2004
	HK$'000	HK$'000
Listed investments in securities		
Equity trading securities listed on the Stock Exchange	**–**	19,083
Listed investment held for trading		
Equity trading securities listed on the Stock Exchange	**4,106**	–

Upon the adoption of HKAS 39 on 1 January 2005, listed investments in securities were reclassified to listed investments held for trading under HKAS 39.

The fair values of the above listed investments held for trading and listed investments in securities are determined based on quoted market bid price available on the Stock Exchange.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits were denominated in Hong Kong dollars bearing floating interest at prevailing market rate.

The Directors consider that the carrying amount of pledged bank deposits and bank balances and cash approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2005

27. OTHER CURRENT LIABILITIES

Account payables, accrued liabilities and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

The average credit period taken for trade purchase is 30 to 90 days. The aged analysis of account payables at the balance sheet date is as follows:

	2005	2004
	HK$'000	HK$'000
0-30 days	**121,526**	94,520
31-60 days	**29,749**	40,880
61-90 days	**18,784**	21,203
Over 90 days	**22,902**	11,481
	192,961	168,084

Amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

The Directors consider that the carrying amount of the other current liabilities noted above approximates their fair values.

28. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases within one year	**–**	32	**–**	30
Less: Future finance charges	**–**	(2)	**–**	–
Present value of lease obligations	**–**	30	**–**	30

Notes to the Financial Statements

For the year ended 31 December 2005

28. OBLIGATIONS UNDER FINANCE LEASES (continued)

The Group leased certain of its motor vehicles under finance leases. The average lease term was 3 years. Interest rates were charged at commercial rates and fixed at the respective contract dates. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets and were secured by guarantees given by a subsidiary.

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

29. BANK BORROWINGS, SECURED

	2005	2004
	HK$'000	HK$'000
Bank overdrafts	**–**	23
Trust receipt loans	**46,175**	57,200
Bank loans	**39,960**	21,137
	86,135	78,360

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

	2005	2004
	HK$'000	HK$'000
On demand or within one year	**75,580**	62,495
More than one year, but not exceeding two years	**5,640**	5,440
More than two years, but not exceeding five years	**4,915**	10,425
	86,135	78,360
Less: Amount due within one year shown under current liabilities	**(75,580)**	(62,495)
Amount due after one year	**10,555**	15,865

Notes to the Financial Statements

For the year ended 31 December 2005

29. BANK BORROWINGS, SECURED (continued)

Included in the bank borrowings, approximately HK$24,038,000 was denominated in Reminbi, and the remaining balance was denominated in Hong Kong dollars.

Trust receipt loans and bank loans bearing effective interest rates of approximately 5.7% (2004: 5.0%) per annum and approximately 5.5% (2004: 3.3%) per annum respectively.

The bank overdrafts and trust receipt loans are arranged at floating rates, thus exposing the Group to cash flows interest rate risk. The bank loans are arranged at fixed interest rate, thus exposing the Group to fair value interest rate risk.

The Directors estimate the fair value of the bank borrowings, by discounting their future cash flows at the market rate. The Directors consider that the carrying amount of the bank borrowings approximates their fair values at each balance sheet date.

At 31 December 2005, the Group's bank borrowings and other banking facilities of the Group were secured by:

(i) pledge of the Group's certain buildings and prepaid lease payments;

(ii) pledge of approximately HK$38,900,000 (2004: HK$36,002,000) bank deposits;

(iii) guarantees given by the Company; and

(iv) corporate guarantee given by a related company, Oriental Kenzo Plaza.

Notes to the Financial Statements

For the year ended 31 December 2005

30. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.10 each at 1 January 2004		150,000	15,000
Share subdivision	(a)	600,000	–
Ordinary shares of HK$0.02 each at 31 December 2004 and 1 January 2005		750,000	15,000
Increase during the year	(d)	2,250,000	45,000
Ordinary shares of HK$0.02 each at 31 December 2005		3,000,000	60,000
Issued:			
Ordinary shares of HK$0.10 each at 1 January 2004		103,839	10,384
Share subdivision	(a)	426,555	–
Issue of shares due to rights issue	(b)	133,299	2,666
Exercise of share options	(c)	3,000	284
Ordinary shares of HK$0.02 each at 31 December 2004 and 1 January 2005		666,693	13,334
Issue of subscription shares	(e)	83,000	1,660
Issue of placing shares	(f)	323,000	6,460
Exercise of share options	(g)	19,833	397
Ordinary shares of HK$0.02 each at 31 December 2005		1,092,526	21,851

Notes:

(a) Shares subdivision

Pursuant to an ordinary resolution passed on 1 March 2004, the Company's issued and unissued shares of HK$0.10 each were subdivided into 5 new shares of HK$0.02 each ("Share Subdivision"). The Share Subdivision took effect on 2 March 2004.

Notes to the Financial Statements

For the year ended 31 December 2005

30. SHARE CAPITAL (continued)

(b) Issue of rights shares

On 30 September 2004, 133,298,562 shares of HK$0.02 each were issued by way of a rights issue at a subscription price of HK$0.35 per share.

(c) Exercise of share options during the year ended 31 December 2004

(i) In January 2004, 2,800,000 share options were exercised at the exercise price of HK$1.79 per share, resulting in the issue of 2,800,000 shares of HK$0.10 each for a total consideration (before expenses) of HK$5,012,000 on 19 January 2004.

(ii) In October 2004, 200,000 share options were exercised at the exercise price of HK$0.316 per share, resulting in the issue of 200,000 shares of HK$0.02 each for a total consideration (before expenses) of HK$63,200 on 8 November 2004.

(d) Increase of authorised share capital

(i) Pursuant to an ordinary resolution passed on 13 May 2005, the authorised share capital of the Company was increased from HK$15,000,000 to HK$30,000,000 by the creation of an additional 750,000,000 shares of HK$0.02 each.

(ii) Pursuant to an ordinary resolution passed on 18 July 2005, the authorised share capital of the Company was increased from HK$30,000,000 to HK$60,000,000 by the creation of an additional 1,500,000,000 shares of HK$0.02 each

(e) Issue of subscription shares

Pursuant to the two subscription agreements dated 23 March 2005, a total of 83,000,000 shares of HK$0.02 each were issued to two subscribers at the price of HK$0.28 per share on 6 April 2005. The gross proceeds of HK$23,240,000 were used for general working capital of the Group.

Notes to the Financial Statements

For the year ended 31 December 2005

30. SHARE CAPITAL (continued)

(f) Issue of placing shares

(i) Pursuant to the placing agreement dated 4 April 2005, a total of 223,000,000 shares of HK$0.02 each were issued to placees at the placing price of HK$0.30 per share on 19 May 2005. The gross proceeds of HK$66,900,000 were used for expansion of the retail business of the Group in the PRC and for general working capital of the Group.

(ii) Pursuant to the placing agreement dated 24 August 2005, a total of 100,000,000 shares of HK$0.02 each were issued to placees at the placing price of HK$0.45 per share on 30 December 2005. The gross proceeds of HK$45,000,000 were used for partial settlement of the consideration for the acquisition of a retail business in the PRC pursuant to the sale and purchase agreement dated 24 August 2005.

(g) Exercise of share options during the year ended 31 December 2005

In May 2005, 19,833,333 share options were exercised at the exercise price of HK$0.316 per share, resulting in the issue of 19,833,333 shares of HK$0.02 each for a total consideration (before expenses) of approximately HK$6,268,000 on 23 May 2005.

(h) Included in the above movements of issued share capital, except for the placing shares issued on 30 December 2005, all shares issued are fully paid. Placing shares issued on 30 December 2005 were not paid as 31 December 2005.

31. CONVERTIBLE LOAN NOTES

Pursuant to the joint announcement made by the Company and Celestial Asia Securities Holding Limited ("CASH") on 25 May 2005 and the circular dated 30 June 2005 issued by the Company ("Circular"), the Company proposed to issue a convertible loan note ("Convertible Loan Note") with nominal value of HK$108,000,000 to an independent third party, AustChina Information Technology Pyt Limited ("AustChina"). The Convertible Loan Note bears zero coupon rate and is matured on 31 August 2007 or any other date mutually agreed between the Company and AustChina. The Convertible Loan Note will be repaid on the maturity date if no conversion was noted. The conversion price of the Convertible Loan Note is HK$0.45 and can be exercised at any time after the expiry of 6 months from the issue date of the Convertible Loan Note up to 31 August 2007.

On 20 July 2005, all the conditions set out in the Circular were fulfilled and the Convertible Loan Note was then issued on 15 August 2005.

Notes to the Financial Statements

For the year ended 31 December 2005

31. CONVERTIBLE LOAN NOTES (continued)

Another convertible loan note at principal value of HK$180,000,000 ("New Convertible Loan Note") was issued by the Company to an independent third party on 30 December 2005 as the consideration of acquisition of the Timecastle Group. The New Convertible Loan Note bears zero coupon rate and is matured on 31 December 2007. The conversion price of the New Convertible Loan Note is HK$0.45 and can be exercisable at any time after the expiry of 6 months from the issue date of the New Convertible Loan Note up to 31 December 2007.

The convertible loan notes contain two components, liability and equity elements. In accordance with the requirement of HKAS 32 *Financial instruments: Disclosure and Presentation* (see note 3 for details), the convertible loan notes were split between the liability and equity elements. The equity element is presented in equity heading "convertible loan notes equity reserve". The effective interest rate of the liability component is 6.26%.

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

	2005 **HK$'000**
Issued during the year	**255,054**
Interest charge (note 10)	**2,165**
Liability at the end of the year	**257,219**

The Directors consider that the carrying amount of the convertible loan notes approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of the Timecastle Group

Pursuant to the sales and purchase agreement dated 24 August 2005 ("S&P Agreement"), the Group acquired 100% of the equity interest of the Timecastle Group for a consideration of HK$212,000,000 satisfied by cash and issue of the New Convertible Loan Note. Pursuant to the S&P Agreement, the completion of the acquisition of Timecastle Group is subject to the completion of reorganisation to convert 東方銀座商業(北京)有限公司 ("東方銀座"), a PRC incorporated company, into a wholly foreign owned enterprise in accordance with the PRC laws and the transfer of the entire interest of 東方銀座 to the wholly owned subsidiary of Timecastle International Limited ("Reorganisation"). As the Reorganisation has not been completed by the fulfilment date of 30 November 2005, the Group entered into a series of contractual arrangements to effect that the Group would be able to enjoy all the economic interests attributed to the entire equity interests in 東方銀座 and control the operations and financial policies of the Timecastle Group. The fact that the Group controls the Timecastle Group had been confirmed by a firm of PRC Lawyers in compliance with PRC contract laws and to the satisfaction of the Group. As all the conditions under S&P Agreement had been fulfilled and the Group has the power to control the Timecastle Group on 30 December 2005, completion of the acquisition of the Timecastle Group took place on 30 December 2005 ("Completion Date"). This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$2,375,000.

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of the Timecastle Group (continued)

The net assets acquired in the respective transaction and the goodwill arising accordingly are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property, plant and equipment	88,231
Prepaid rental	38,462
Deposits paid for acquisition of leasehold improvements	23,702
Deferred tax assets	7,254
Inventories	3,601
Account receivables	894
Prepayments, deposits and other receivables	114,651
Amounts due from related companies	32,439
Bank balances and cash	7,747
Account payables	(41,537)
Accrued liabilities and other payables	(27,366)
Bank loan	(24,038)
Taxation payable	(14,415)
	209,625
Goodwill	2,375
	212,000
SATISFIED BY	
Cash	32,000
New Convertible Loan Note (note 31)	180,000
	212,000
CASH OUTFLOW ARISING ON ACQUISITION	
Cash paid (note)	(172,000)
Bank balances and cash acquired	7,747
Net outflow of cash and cash equivalents in respect of the acquisition of the Timecastle Group	(164,253)

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(i) Acquisition of the Timecastle Group (continued)

Note: Consideration for the acquisition was determined based on the calculation pre-determined in the S&P Agreement. The final consideration was HK$212,000,000 satisfied by HK$32,000,000 in cash and by HK$180,000,000 by issue of convertible loan note. Prior to the finalisation of the consideration, the Group had paid HK$172,000,000 and thus is entitled to a HK$140,000,000 refund, being the deposit paid for the acquisition in excess of the final consideration, as at 31 December 2005. The refund was included in prepayments, deposits and other receivables at 31 December 2005.

The goodwill arising on acquisition of the Timecastle Group is attributable to the anticipated profitability of the Timecastle Group.

Timecastle Group had no significant contribution to the Group's turnover and results for the year between the date of acquisition and the balance sheet date.

If the acquisition for the Timecastle Group had been completed on 1 January 2005, total group turnover for the year would have been HK$1,154,993, and loss for the year would have been HK$47,099,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and loss of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005 nor is it intended to be a projection of future results.

(ii) Acquisition of the Wealthy View Group

On 19 April 2005, the Group acquired 100% equity interest of Wealthy View Investment Limited and its subsidiaries ("Wealthy View Group") from an independent third party for consideration of HK$4,000,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,100,000.

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For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of the Wealthy View Group (continued)

The net assets acquired in the respective transaction, and the goodwill arising accordingly are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property, plant and equipment	456
Inventories	903
Account receivables	231
Prepayments, deposits and other receivables	1,556
Bank balances and cash	1,274
Account payables	(1,287)
Accrued liabilities and other payables	(233)
	2,900
Goodwill	1,100
	4,000
SATISFIED BY	
Cash	4,000
CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration	(4,000)
Bank balances and cash acquired	1,274
Net outflow of cash and cash equivalents in respect of the acquisition of the Wealthy View Group	(2,726)

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(ii) Acquisition of the Wealthy View Group (continued)

The goodwill arising on acquisition of the Wealthy View Group is attributable to the anticipated profitability of the Wealthy View Group.

The Wealthy View Group is engaged in retailing business in the PRC. However, after the acquisition, the Group reassessed the business market of the Wealthy View Group and considered that the business principally engaged by the Wealthy View Group is unprofitable. As a result, carrying value of the goodwill arising on acquisition of the Wealthy View Group was reassessed by the Directors and impairment loss of HK$1,100,000 was recognised in the year ended 31 December 2005 upon cessation in operating of the Wealthy View Group.

The Wealthy View Group contributed approximately HK$716,000 to the Group's turnover and a loss of approximately HK$3,179,000 to the Group's loss from operating activities for the period between the date of acquisition and the balance sheet date.

If the acquisition for the Wealthy View Group had been completed on 1 January 2005, total group turnover for the year would have been HK$866,717,000, and loss for the year would have been HK$78,438,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and loss of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005 nor is it intended to be a projection of future results.

(iii) Acquisition of the Cosmos Group

On 3 November 2004, the Group acquired 100% equity interest of Cosmos Global Limited and its subsidiaries ("Cosmos Group") for consideration of HK$9,678,000. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$1,863,000.

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(iii) Acquisition of the Cosmos Group (continued)

The net assets acquired in the respective transaction, and the goodwill arising accordingly are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Property, plant and equipment	5,414
Club memberships	1,760
Inventories	5,883
Account receivables	1,682
Prepayments, deposits and other receivables	1,652
Amount due from a wholly-owned subsidiary of CASH	9,678
Bank balances and cash	288
Account payables	(6,273)
Accrued liabilities and other payables	(136)
Amounts due to CASH and its subsidiaries	(11,371)
Bank overdrafts	(762)
	7,815
Goodwill	1,863
	9,678
SATISFIED BY	
Cash	9,678
CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration	(9,678)
Bank balances and cash acquired	288
Bank overdrafts acquired	(762)
Net outflow of cash and cash equivalents in respect of the acquisition of the Cosmos Group	(10,152)

Notes to the Financial Statements

For the year ended 31 December 2005

32. ACQUISITION OF SUBSIDIARIES (continued)

(iii) Acquisition of the Cosmos Group (continued)

The goodwill arising on acquisition of the Cosmos Group is attributable to the anticipated profitability of the Cosmos Group.

Carrying value of the goodwill arising on acquisition of the Cosmos Group was reassessed by the Directors and impairment loss HK$1,863,000 was recognised in the year ended 31 December 2004.

The Cosmos Group contributed approximately HK$3,164,000 to the Group's turnover and approximately a loss of approximately HK$8,150,000 to the Group's loss from operating activities for the period between the date of acquisition and 31 December 2004.

33. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

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33. SHARE OPTION SCHEMES (continued)

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

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

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 99,252,614 shares, representing 9.10% of the issued share capital of the Company, as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2005

33. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

					Number of options									
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1/1/2004	adjusted on 2/3/2004	adjusted on 11/9/2004	exercised in 2004 (Note 3)	cancelled in 2004 (Note 4)	lapsed in 2004 (Note 6)	outstanding as at 31/12/2004 and 1/1/2005	exercised in 2005 (Note 5)	lapsed in 2005 (Note 6)	outstanding as at 31/12/2005
Directors														
Old Option Scheme	17/1/2002	4.200	1/2/2002-31/1/2004		2,200,000	–	–	–	–	(2,200,000)	–	–	–	–
New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(1)&(2)	3,000,000	12,000,000	2,000,000	(200,000)	(5,466,666)	(11,333,334)	–	–	–	–
	2/12/2003	0.316	1/12/2004-30/11/2005	(1)&(2)	3,000,000	12,000,000	2,000,000	–	–	–	17,000,000	(11,333,333)	(5,666,667)	–
					8,200,000	24,000,000	4,000,000	(200,000)	(5,466,666)	(13,533,334)	17,000,000	(11,333,333)	(5,666,667)	–
Employees														
Old Option Scheme	17/1/2002	4.200	1/2/2002-31/1/2004		1,500,000	–	–	–	–	(1,500,000)	–	–	–	–
New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004		2,800,000	–	–	(2,800,000)	–	–	–	–	–	–
	2/12/2003	0.316	1/12/2004-30/11/2005	(1)&(2)	1,500,000	6,000,000	1,000,000	–	–	–	8,500,000	(8,500,000)	–	–
					5,800,000	6,000,000	1,000,000	(2,800,000)	–	(1,500,000)	8,500,000	(8,500,000)	–	–
					14,000,000	30,000,000	5,000,000	(3,000,000)	(5,466,666)	(15,033,334)	25,500,000	(19,833,333)	(5,666,667)	–

Notes to the Financial Statements

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33. SHARE OPTION SCHEMES (continued)

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

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of the Company for 1 share to 5 shares with effect from 2 March 2004. The exercise price per share was adjusted from HK$1.79 to HK$0.358.

(2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 11 September 2004. The exercise price was adjusted from HK$0.358 to HK$0.316.

(3) On 7 January 2004 and 29 October 2004, 2,800,000 share options and 200,000 shares options were exercised at the exercise price of HK$1.79 per share and HK$0.316 per share respectively. The weighted average closing price of the Company's shares immediately before the date of exercise was HK$2.18 per share (before adjustments of share subdivision and rights issue occurred during the year) and HK$0.345 per share respectively.

(4) On 3 November 2004, 5,466,666 share options were cancelled. The exercise price of the cancelled options was HK$0.316 per share.

(5) On 13 May 2005 and 17 May 2005, 5,666,667 shares options and 14,166,666 share options were exercised at the exercise price of HK$0.316 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK$0.77 per share and HK$0.78 per share respectively.

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

(7) No option was granted or cancelled during the year.

There was no outstanding share options at 31 December 2005.

No option was granted during the years ended 31 December 2004 and 2005. During the year ended 31 December 2003, options were granted on 2 December 2003, all of the options granted were vested on or before 1 December 2004.

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For the year ended 31 December 2005

33. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH

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

(i) The purpose was to provide incentives to:

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2005

33. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

(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 New 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 movements in such holdings:

					Number of options					
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1/1/2004	lapsed in 2004	reallocated upon change in directorate in 2004	outstanding as at 31/12/2004 and 1/1/2005	lapsed in 2005	outstanding as at 31/12/2005
Directors										
CASH Old Option Scheme	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	1,500,000	(1,500,000)	–	–	–	–
CASH New Option Scheme	2/12/2003	0.502	2/12/2003-30/11/2005		10,000,000	–	(3,000,000)	7,000,000	(7,000,000)	–
					11,500,000	(1,500,000)	(3,000,000)	7,000,000	(7,000,000)	–

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For the year ended 31 December 2005

34. COMMITMENTS

(A) Operating lease commitments

The Group as lessee

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

	2005	2004
	HK$'000	HK$'000
Within one year	**128,388**	80,835
In the second to fifth year inclusive	**206,676**	81,259
	335,064	162,094

Operating lease payments represent rental payables by the Group for its retail shops in Hong Kong and department store in the PRC. Leases for retail shops are negotiated for an average term of six years and rentals are fixed for an average of three years. Lease for department store is negotiated for a term of ten years with fixed rental. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental for retails shops and department store based on certain percent of the gross sales of the relevant shops and the gross sales of the department store when the sales meets certain specified level.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for department store in the PRC for the following future minimum lease payments:

	2005	2004
	HK$'000	HK$'000
Within one year	**347**	–

Leases are negotiated and rentals could be terminated by either parties by giving one month notice to the other party.

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For the year ended 31 December 2005

34. COMMITMENTS (continued)

(B) Capital commitments

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

	2005	2004
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of leasehold improvements authorised but not contracted for	**120,529**	–

On 10 May 2004, the Timecastle Group signed a Memorandum with 北京正鵬 for leasing the New Department Store in the PRC. Pursuant to the terms of the Memorandum, 北京正鵬 is responsible for the leasehold improvements of the New Department Store on behalf of the Timecastle Group and the total cost of leasehold improvements to be incurred should not exceed RMB150,000,000 (equivalent to HK$144,231,000).

35. CONTINGENT LIABILITIES

(A) During the year ended 31 December 2005, a customer filed a statement of damages against Pricerite Stores Limited ("PSL"), a wholly owned subsidiary of the Group as a second defendant, alleging for personal injury caused by PSL and the customer has claimed for damages of approximately HK$857,000. No provision has been made in the financial statements as in the opinion of the Directors, the prospect of success of the plaintiff's claim is tenuous.

(B) (i) During the year ended 31 December 2003, Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, PSL as a second defendant, alleging that PSL had agreed to appoint Bates HK as its contracted advertising agent with monthly retainer fee in the sum of HK$320,000 payable to Bates HK. PSL had not appointed Bates HK as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between PSL and Bates HK to such effect.

Notes to the Financial Statements

For the year ended 31 December 2005

35. CONTINGENT LIABILITIES (continued)

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

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

(C) During the year ended 31 December 2003, a customer filed a statement of damages against PSL alleging that a forklift truck of PSL rolled over his right foot and he had claimed for damages of approximately HK$1,780,000 with interest and costs thereof. During the year ended 31 December 2004, the Group made a provision of HK$570,000. The case was settled during the year ended 31 December 2005, and the court concluded that the compensation awarded to the customer was in a sum of HK$1,150,000. The said sum had been fully recognised and paid up during the year.

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

Notes to the Financial Statements

For the year ended 31 December 2005

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employee's contribution to the retirement benefit scheme charged to the income statement amounted to approximately HK$3,031,000 (2004: HK$3,917,000) for the year ended 31 December 2005.

The Group's PRC subsidiaries in compliance with the applicable regulations of the PRC, participate in various state-managed retirement benefit schemes operated by the relevant municipal and provincial governments. The Group's PRC subsidiaries are required to contribute a specific percentage of its payroll costs to the retirement benefits schemes to fund the benefits. The Group's PRC subsidiaries have no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

Notes to the Financial Statements

For the year ended 31 December 2005

37. MAJOR NON-CASH TRANSACTIONS

The Group has the following major non cash transactions during the year:

(i) Pursuant to the agreement entered into between CASH and a third party in 2002, 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 utilised advertising and telecommunication services amounting to approximately HK$908,000 (2004: HK$9,427,000).

(ii) On 30 December 2005, consideration for acquisition of the Timecastle Group was partially settled by issue of New Convertible Loan Note in the principal amount of HK$180,000,000. Details of the issue of New Convertible Loan Note and the acquisition are set out in notes 31 and 32 respectively.

(iii) The proceeds from placing shares issued on 30 December 2005, amounting to HK$45,000,000, has not yet been received by the Group as at balance sheet date and was included in prepayments, deposits and other receivables.

(iv) Property, plant and equipment amounting to approximately HK$4,546,000 was transferred to investment property.

Notes to the Financial Statements

For the year ended 31 December 2005

38. RELATED PARTY TRANSACTIONS

Apart from prepaid rental and deposits paid for acquisition of leasehold improvements, amounts due from fellow subsidiaries and related companies and amounts due to related companies as disclosed in notes 21, 24 and 27, during the year, the Group entered into the following transactions with related parties that are not members of the Group:

	Notes	**2005** **HK$'000**	2004 HK$'000
CASH and its wholly-owned subsidiaries ("CASH Group"):			
Sales of goods	(i)	**–**	2,974
Acquisition of subsidiaries	(ii)	**–**	9,678
Purchase of goods	(iii)	**–**	4,462
Rental expenses paid	(iv)	**3,600**	998
The CFSG Group:			
Underwriting commission paid	(v)	**1,312**	390
Transfer of prepayment for advertising and telecommunication services	(vi)	**–**	130
Sales of cash coupons	(vii)	**–**	101

Notes:

(i) The Group sold goods at cost to wholly-owned subsidiaries of CASH.

(ii) During the year ended 31 December 2004, the Group acquired 100% of the issued share capital of and the interest-free shareholder's loan to Cosmos Global Limited of approximately HK$9,678,000 at a total cash consideration of HK$9,678,000 in accordance with the agreement dated 3 November 2004 entered into between the Group and a wholly-owned subsidiary of CASH.

(iii) The Group purchased goods from wholly-owned subsidiaries of CASH. The amount was charged at a price agreed between the parties

(iv) The Group paid rental expenses to a wholly-owned subsidiary of CASH. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of CASH by the head landlord with reference to the floor area occupied by the Group.

Notes to the Financial Statements

For the year ended 31 December 2005

38. RELATED PARTY TRANSACTIONS (continued)

(v) The Group paid underwriting commission to CFSG Group. The amount was calculated at 1.25% (2004: 2.5%) on the total proceeds from the rights issue of the Company's shares.

(vi) During the year ended 31 December 2004, the Group transferred prepayment for advertising and telecommunication services to CSFG Group at a consideration of HK$130,000. The amount was charged at a price agreed between the parties.

(vii) During the year ended 31 December 2004, the Group sold cash coupons issued by PSL to CFSG Group at their face values.

The remuneration of key management of the Group was as follows:

	2005	2004
	HK$'000	HK$'000
Short term benefits	**3,591**	2,928
Post employment benefits	**80**	70
	3,671	2,998

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Financial Statements

For the year ended 31 December 2005

39. POST BALANCE SHEET EVENTS

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

The Directors is optimistic in further expanding its development in the department store as well as the retail operations in the PRC market which appears to be imbedded with higher growth potential. In order to accelerate the business development in the PRC market, the Directors resolved to focus the Group's capital and resources on the higher growth potential PRC market. The Directors considered that the disposal of the Retail Group is a good and timely solution to match the corporate strategy of the Group to divest and to raise a considerable fund without debt burden to set forward towards the implementation of its PRC development plan including the expansion of the department store and/or the continuous identification of potential business opportunities in the retail sector in the PRC. The Directors has not yet identified any investment target in the PRC.

The proceeds from the disposal of the Retail Group will be applied to the development of the retail operations in the PRC market.

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

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For the year ended 31 December 2005

40. PARTICULARS OF SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
3C Digital Limited	Hong Kong	Ordinary HK$100	60%	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	Ordinary HK$1	60%	Retailing of electrical applicances
E-Tailer Holding Limited	British Virgin Islands	Ordinary US$1	100%	Trading of securities
Lifeztore (HK) Limited	Hong Kong	Ordinary HK$2	100%	Retailing of furniture and household goods
Pricerite Stores Limited	Hong Kong	Ordinary HK$100,000,000	100%	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK$2	100%	Retailing of furniture and household goods through a website
Sundynasty International Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Timecastle International Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding

Notes to the Financial Statements

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40. PARTICULARS OF SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Wealthy View Investment Limited	British Virgin Islands	Ordinary US$10	100%	Investment holding
東方銀座商業(北京)有限公司	PRC	Registered capital RMB45,000,000	100%	Operating of department store
北京東方銀座商業投資顧問有限公司	PRC	Registered capital RMB500,000	100%	Provision of management services