Financial Review

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

The Group's financial services business (CFSG) recorded a net profit attributable to shareholders of HK$26.6 million as compared to HK$20.4 million in the previous year. The increase was mainly attributable to an improved performance of the securities trading portfolio, and a decrease in depreciation and amortisation charges resulting from the adoption of the new financial reporting standards in the year under review. CFSG recorded a decrease in revenue to HK$213.6 million for the year ended 31 December 2005, as compared to HK$240.0 million in last year. The decrease was in part a reflection of a directionless market environment throughout the first half of the year under review and in part a result of a change in accounting treatment for brokerage commission de-regulation, especially in Hong Kong domestic securities market rebate for the current year.

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

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

Financial Review

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

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

During the year, CFSG made several early partial repayments of a convertible loan note in an amount totalling HK$10.0 million, thereby reducing the outstanding nominal value of the convertible loan note to HK$30.2 million at the end of the year. Together with this convertible loan note, the ratio for our interest bearing borrowings to total equity was 0.77 on 31 December 2005 as compared to 0.68 on 31 December 2004.

All of the Group's borrowings are mainly in HK dollar, with the interest rates priced at close to banks' funding costs. By using effective instrument to hedge any adverse changes in foreign exchange and interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant.

Cash deposits of approximately HK$0.9 million were pledged to secure general banking facilities granted to a subsidiary. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. To this end, a bank deposit of approximately HK$16.2 million was held for this purpose. Save as aforesaid, we had no other material contingent liabilities.

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

Financial Review

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

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

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

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

Financial Review

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

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