

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the year (when CRMG remained as a subsidiary of the Group before May 2005) consisted of (a) financial services provided via CFSG including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services, (b) retailing of furniture and household items and trendy digital products via CRMG, (c) investment holding. CFSG had also ceased to be a subsidiary of the Group subsequent to the balance sheet date on 18 January 2006.

## RESULTS

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

## FIVE YEAR FINANCIAL SUMMARY

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

## PROPERTY AND EQUIPMENT

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

## SUBSIDIARIES

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

## SHARE CAPITAL

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

## Directors' Report

### **RESERVES AND DISTRIBUTABLE RESERVES**

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

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

### **PRE-EMPTIVE RIGHTS**

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

### **MAJOR CUSTOMERS AND SUPPLIERS**

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

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

# Directors' Report

## DIRECTORS

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

### Executive Directors:

Kwan Pak Hoo Bankee

Law Ping Wah Bernard

Wong Kin Yick Kenneth

Li Yuen Cheuk Thomas

Kwok Oi Kuen Joan Elmond (resigned on 13 April 2006)

Miao Wen Hao Felix (resigned on 30 September 2005)

Chan Yau Ching Bob (resigned on 28 February 2005)

### Independent Non-executive Directors:

Leung Ka Kui Johnny

Wong Chuk Yan

Chan Hak Sin

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

- (i) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard shall retire at least once in every three financial years at annual general meeting of the Company in accordance with the corporate governance code; and
- (ii) Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

## DIRECTORS' SERVICE CONTRACTS

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

## DIRECTORS' INTERESTS IN CONTRACTS

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

## Directors' Report

### RETIREMENT BENEFITS SCHEMES

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

### DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### A. The Company

##### 1. Long positions in the ordinary shares

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

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

## Directors' Report

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

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

Notes:

- (1) The lapsed options were due to expiry or cessation of directorship or employment of participants with the Group.
- (2) No option was granted, exercised or cancelled during the year.
- (3) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (4) Mr Miao Wen Hao Felix and Mr Chan Yau Ching Bob resigned as Directors of the Company during the year.
- (5) The options are held by the Directors in the capacity of beneficial owner.

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### B. Associated corporations (within the meaning of SFO)

#### 1. CFSG

(a) Long positions in the ordinary shares

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

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

## Directors' Report

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

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

Notes:

- (1) The lapsed options were due to expiry or cessation of directorship or employment of participants with the Group.
- (2) No option was exercised or cancelled during the year.
- (3) Mr Miao Wen Hao and Mr Chan Yau Ching Bob resigned as Directors of the Company during the year.
- (4) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (5) The options are held by the Directors in the capacity of beneficial owner.

## 2. CRMG

### (a) Long positions in the ordinary shares

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

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

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

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

Notes:

- (1) On 17 May 2005, 5,666,666 share options of CRMG were exercised at the exercise price of HK\$0.316 per share. The weighted average closing price of the CRMG's shares immediately before the date of exercise was HK\$0.78 per share.
- (2) No options was granted, lapsed or cancelled during the year.
- (3) The options are held by the Directors in the capacity of beneficial owner.

Save as disclosed above, as at the 31 December 2005, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTION SCHEMES

### The Company

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

### The subsidiary

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



## Directors' Report

### SUBSTANTIAL SHAREHOLDERS

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

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

Notes:

- (1) This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.
- (2) This refers to the same number of shares were held by ARTAR, which was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the shares held by ARTAR.

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

## Directors' Report

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **DONATIONS**

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

### **POST BALANCE SHEET EVENTS**

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

### **CONFIRMATION OF INDEPENDENCE**

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

### **AUDITORS**

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

On behalf of the Board

**Bankee P Kwan**

*Chairman*

Hong Kong, 13 April 2006