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 Stock Exchange of Hong Kong Limited ("Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the Corporate Information of this annual report.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 48.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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 the Hong Kong Institute of Certified Public Accountants 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. In particular, the presentation of minority interests has been changed. 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:

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. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. On 1 January 2005, the Group eliminated the carrying amount of the related accumulated amortisation and impairment of approximately HK$57,620,000 with a corresponding decrease in the cost of goodwill (see note 21). The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. 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. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (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 by the Group after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

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 note

The principal impact of HKAS 32 on the Group is in relation to convertible loan note issued by the Group that contains a liability component and an equity component. Previously, convertible loan note was classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into the liability component and equity component on initial recognition. At the date of issue, the liability component is recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Convertible loan note (continued)

The convertible loan note of the Group also contains an early redemption option which is considered an embedded derivative. Under HKAS 39, derivative embedded in a financial instrument is treated as a separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue.

In subsequent periods, the liability component is measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date.

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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

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

By 31 December 2004, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets 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 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. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its investments in debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "other investments" and "investment securities" amounted to approximately HK$64,700,000 and HK$10,800,000 have been classified as "listed investments held for trading" and "available-for-sale investments" respectively on 1 January 2005 (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Financial instruments (continued)

Financial assets and financial liabilities other than debt and 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 the transitional provision of HKAS 39. This change has no material impact to the Group and accordingly no adjustment is required to accumulated losses as at 1 January 2005.

Derivatives

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values for derivatives that are deemed as held for trading are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not qualify as hedging instruments under HKAS 39, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005, amounting to HK$48,000, in the Group's accumulated losses (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property and equipment and measured using the cost 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. 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. Comparative figures for 2004 have been restated (see note 3 for the financial impact).

Intangible assets

By 31 December 2004, intangible assets were amortised over their estimated useful lives. HKAS 38 *Intangible Assets* requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its trading rights in the exchanges in Hong Kong on 1 January 2005 and concluded that the trading rights have indefinite useful lives. The Group has applied the revised useful lives prospectively and discontinued amortising the trading rights from 1 January 2005 onwards. No amortisation has been charged in relation to the trading rights for the year ended 31 December 2005. As a result, loss for the year has been decreased by approximately HK$1,830,000. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

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

	2005 HK$'000	2004 HK$'000
Depreciation of property and equipment		
Non-depreciation of leasehold land	513	1,314
Salaries, allowances and commission		
Recognition of employee share option benefits	(203)	(219)
Other operating, administrative and selling expenses		
Non-amortisation of goodwill	7,321	–
Non-amortisation of trading rights	1,830	–
Amortisation of prepaid lease payments	(186)	(646)
Finance costs		
Increase in effective interest expense on the liability component of convertible loan note	(284)	(361)
Net loss on investments held for trading		
Increase in fair value of derivative financial instrument	64	–
Convertible loan note settlement expense		
Increase in convertible loan note settlement expense	(85)	(310)
Decrease (Increase) in loss for the year	8,970	(222)

3. 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 December 2004 (originally stated)	Retrospective adjustments				As at 31 December 2004 (restated)	Adjustments	As at 1 January 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		HKAS 1	HKAS 17	HKAS 32	HKFRS 2		HKAS 39	
Balance sheet items								
Property and equipment	149,120	–	(48,623)	–	–	100,497	–	100,497
Prepaid lease payments	–	–	49,120	–	–	49,120	–	49,120
Goodwill	57,199	–	–	–	–	57,199	–	57,199
Intangible assets	9,092	–	–	–	–	9,092	–	9,092
Other assets	13,346	–	–	–	–	13,346	(1,760)	11,586
Listed investments held for trading	–	–	–	–	–	–	64,700	64,700
Other investments	64,700	–	–	–	–	64,700	(64,700)	–
Convertible loan note	(40,500)	–	–	666	–	(39,834)	–	(39,834)
Derivative financial instrument	–	–	–	–	–	–	(48)	(48)
Investment securities	10,800	–	–	–	–	10,800	(10,800)	–
Available-for-sale investments	–	–	–	–	–	–	12,560	12,560
Other net assets	123,182	–	–	–	–	123,182	–	123,182
Total effects on assets and liabilities	386,939	–	497	666	–	388,102	(48)	388,054
Share capital	43,748	–	–	–	–	43,748	–	43,748
Accumulated losses	(149,284)	–	497	577	(348)	(148,558)	(48)	(148,606)
Convertible loan note equity reserve	–	–	–	771	–	771	–	771
Share-based payment reserve	–	–	–	–	680	680	–	680
Other reserves	325,375	–	–	–	–	325,375	–	325,375
Minority interests	–	167,100	–	(682)	(332)	166,086	–	166,086
Total effects on equity	219,839	167,100	497	666	–	388,102	(48)	388,054
Minority interests	167,100	(167,100)	–	–	–	–	–	–

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

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

	As originally stated	**HKAS 1**	**HKAS 17**	**HKAS 32**	**HKFRS 2**	**As restated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Share capital	36,548	–	–	–	–	36,548
Accumulated losses	(5,118)	–	(171)	(374)	(236)	(5,899)
Convertible loan note equity reserve	–	–	–	1,764	–	1,764
Share-based payment reserve	–	–	–	–	461	461
Other reserves	309,470	–	–	–	–	309,470
Minority interests	–	121,210	–	(355)	(225)	120,630
Total effects on equity	340,900	121,210	(171)	1,035	–	462,974

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

The Group has not early applied the following new standards, amendments and interpretations ("INTs") that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments and INTs will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a 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.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the Group.

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

During the financial year, due to the dilution of the Group's shareholdings in CRMG as mentioned in Notes 15 and 39, CRMG has become an associate of the Group from being a subsidiary of the Group. The goodwill in respect of the Group's remaining interest in CRMG subsequent to the deemed disposals is classified as goodwill of the resulting associate and recorded at its carrying value upon disposal. Such goodwill is carried at cost less any accumulated impairment losses. For impairment testing purpose, the entire carrying amount is tested for impairment by comparing the carrying amount with its recoverable amount irrespective of whether there is any indication that it may be impaired.

For the purposes of impairment testing, goodwill arising from an acquisition of a subsidiary 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 or associate, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in associate

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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.

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

Property and equipment

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

Depreciation is provided to write off the cost of items of property and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rate per annum:

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Construction in progress is carried at cost less any identified impairment losses. Depreciation of construction in progress commences when they are available for use (ie. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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

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

Leasing

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

Retirement benefit costs

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

Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

On initial recognition, intangible assets acquired are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

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

Financial instruments

Financial assets and financial liabilities are amortised 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.

4. 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, available-for-sale financial assets and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including account receivables, loan receivables, deposits, other receivables and bank deposits and 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

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

Financial liabilities

Financial liabilities including accounts payables, accrued liabilities and other payables, obligations under finance lease and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

Convertible loan note issued by the subsidiary company that contain early redemption option, financial liability and equity components are classified separately into respective early redemption option derivative, liability and equity components on initial recognition. On initial recognition, the the liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The early redemption option which is considered an embedded derivative is treated as separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss.

Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The issue costs relating to the equity component are charged directly to equity. The issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan note using the effective interest method. The portion relating to the derivative is charged directly to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible loan note (continued)

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

Equity instruments

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

Derivative financial instruments

The derivative financial instruments are deemed as financial assets held for trading or financial liabilities held for trading and are measured at fair value. Changes in fair values of such derivatives are recognised directly in profit and loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

4. 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 (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 is recognised in profit or loss.

Provisions

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

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

For share options granted after 7 November 2002 but not yet vested before 1 January 2005 and those options granted after 1 January 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expenses in full at the grant date when share options granted vested immediately, with a corresponding increase in equity (share-based payment 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 not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to other reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2005, a deferred tax asset of approximately HK$3,940,000 in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$42,756,000. 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. In case where the actual future profits generated are less than expected, a reversal of deferred tax asset may arise, which would be recognised in the income statement for the period in which such a reversal takes place.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for bad and doubtful debts

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is approximately HK$17,426,000. Details of the recoverable amount calculation are disclosed in note 24.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, statutory and other deposits, bank borrowings, account receivables, account payables, convertible loan note and derivative financial instruments. 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.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The Directors monitor the foreign exchange risk and will enter into leveraged foreign exchange contracts to mitigate the foreign currency risk.

Equity price risk

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

Interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of 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. In order to minimise the credit risk, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivable. In addition, the Group reviews the recoverable amount for each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

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

7. REVENUE

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

	2005	2004
	HK$'000	HK$'000
		(restated)
Continuing operations		
Fees and commission income	**178,720**	210,729
Interest income	**34,900**	36,691
	213,620	247,420
Discontinued operation		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**374,296**	876,896
Others	**229**	73
	374,525	876,969

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two main operating divisions, namely, financial services and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services and wealth management
Investment holding	Strategic investments

The Group was also involved in retailing. This operation was discontinued at the end of May 2005 (see note 15).

Geographical segments

All the activities of the Group are based in Hong Kong and all the Group's revenue for both years are derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2005

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2005

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2005

	Continuing operations				Discontinued operation	
	Financial services	Investment holding	Others	Total	Retailing	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions of property and equipment	2,116	–	73	2,189	5,350	7,539
Reversal of allowance for bad and doubtful debts	(702)	–	–	(702)	–	(702)
Recovery of bad debts	–	–	8,294	8,294	–	8,294
Depreciation of property and equipment	10,606	–	1,050	11,656	10,019	21,675
Amortisation of prepaid lease payments	–	–	186	186	–	186
Impairment loss recognised in respect of available-for-sale investments	–	–	10,800	10,800	–	10,800
(Gain) Loss on dilution of shareholding in subsidiary and associate	(8,423)	–	(8,840)	(17,263)	974	(16,289)
Gain on disposal of property and equipment	(43)	–	(6,730)	(6,773)	–	(6,773)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2004

	Continuing operations				Discontinued operation	
	Financial services HK$'000 (restated)	**Investment holding** HK$'000 (restated)	**Others** HK$'000 (restated)	**Total** HK$'000 (restated)	**Retailing** HK$'000 (restated)	**Consolidated** HK$'000 (restated)
Turnover	239,972	5	7,443	247,420	876,969	1,124,389
Segment profit (loss)	20,812	(15,495)	(23,603)	(18,286)	(79,573)	(97,859)
Finance costs				(8,721)	(3,038)	(11,759)
Unallocated corporate expenses				(52,020)	–	(52,020)
Loss before taxation				(79,027)	(82,611)	(161,638)
Taxation charge				(350)	(6)	(356)
Loss for the year				(79,377)	(82,617)	(161,994)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2004

	Financial services HK$'000 (restated)	Retailing HK$'000	Investment holding HK$'000	Others HK$'000 (restated)	Consolidated HK$'000 (restated)
ASSETS					
Segment assets	1,028,175	444,626	10,800	–	1,483,601
Unallocated corporate assets					51,277
Consolidated total assets					1,534,878
LIABILITIES					
Segment liabilities	690,706	189,262	–	–	879,968
Unallocated corporate liabilities					266,808
Consolidated total liabilities					1,146,776

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2004

	Continuing operations					Discontinued operations	
	Financial services HK$'000 (restated)	Investment holding HK$'000 (restated)	Others HK$'000 (restated)	Unallocated HK$'000 (restated)	Total HK$'000 (restated)	Retailing HK$'000 (restated)	Consolidated HK$'000 (restated)
Allowance for inventory obsolescence and write off of inventories	–	–	–	–	–	19,041	19,041
Additions of property and equipment	7,137	–	608	7,350	15,095	20,026	35,121
Amortisation of intangible assets	1,830	–	–	–	1,830	–	1,830
(Reversal of allowance) Allowance for bad and doubtful debts	(1,139)	–	–	2,500	1,361	6,269	7,630
Depreciation of property and equipment	15,906	–	170	1,334	17,410	26,192	43,602
Amortisation of prepaid lease payments	–	–	–	557	557	89	646
Impairment loss recognised in respect of investment securities	–	15,500	–	–	15,500	12,060	27,560
Impairment loss recognised in respect of goodwill	–	10,000	–	–	10,000	–	10,000
Impairment loss recognised in respect of property and equipment	–	–	–	–	–	2,060	2,060
Loss on disposal of property and equipment	7	–	93	–	100	4,646	4,746

9. SALARIES, ALLOWANCES AND COMMISSION

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)		(restated)
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:						
Salaries, allowances and commission	**120,478**	133,194	**38,207**	93,753	**158,685**	226,947
Contributions to retirement benefits schemes	**3,289**	3,912	**1,222**	3,917	**4,511**	7,829
Employee share option benefits	**203**	219	**–**	–	**203**	219
	123,970	137,325	**39,429**	97,670	**163,399**	234,995

10. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)		(restated)
Interest on:						
Bank overdrafts and loans wholly repayable within five years	**15,618**	6,316	**2,256**	3,028	**17,874**	9,344
Finance leases	**15**	12	**–**	10	**15**	22
Effective interest expense on convertible loan note	**1,351**	2,393	**–**	–	**1,351**	2,393
	16,984	8,721	**2,256**	3,038	**19,240**	11,759

11. DIRECTORS' REMUNERATION

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

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Wong Kin Yick Kenneth HK$'000	Li Yuen Cheuk Thomas HK$'000	Kwok Oi Kuen Joan Elmond HK$'000	Miao Wen Hao Felix HK$'000	Chan Yau Ching Bob HK$'000	Chan Hak Sin HK$'000	Leung Ka Kui Johnny HK$'000	Wong Chuk Yan HK$'000	2005 Total HK$'000
2005											
Fees:											
Executive Directors	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:											
Salaries, allowances and benefits in kind	3,766	720	1,160	675	870	1,361	–	–	–	–	8,552
Employee share option benefits	17	17	17	–	17	–	–	–	–	–	68
Contributions to retirement benefits scheme	12	36	58	17	44	62	–	–	–	–	229
Total remuneration	3,795	773	1,235	692	931	1,423	–	100	100	–	9,049

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Wong Kin Yick Kenneth HK$'000	Li Yuen Cheuk Thomas HK$'000	Kwok Oi Kuen Joan Elmond HK$'000	Miao Wen Hao Felix HK$'000	Chan Yau Ching Bob HK$'000	Law Ka Kin Eugene HK$'000	Chan Hak Sin HK$'000	Leung Ka Kui Johnny HK$'000	Wong Chuk Yan HK$'000	2004 Total HK$'000
2004												
Fees:												
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	–	100	100	–	200
Other remuneration paid to Executive Directors:												
Salaries, allowances and benefits in kind	3,390	720	1,017	926	724	1,530	708	1,108	–	–	–	10,123
Employee share option benefits	–	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits scheme	24	36	51	21	34	77	29	55	–	–	–	327
Total remuneration	3,414	756	1,068	947	758	1,607	737	1,163	100	100	–	10,650

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

11. DIRECTORS' REMUNERATION (continued)

During the year ended 31 December 2004, Mr Law Ka Kin Eugene resigned as an 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.

12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, two (2004: two) were Directors of the Company whose emoluments are included in the disclosures in note 11. The emoluments of the remaining three (2004: three) individuals were as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Salaries, allowances and benefits in kind	**4,286**	4,301
Contributions to retirement benefits scheme	**122**	118
Performance related incentive payments	**102**	182
Employee share option benefits	**12**	30
	4,522	4,631

Their remuneration were within the following band:

	2005 Number of Employees	2004 Number of Employees
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	2

13. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Loss before taxation has been arrived at after charging (crediting):						
Advertising and promotion expenses	**6,051**	7,433	**10,218**	32,761	**16,269**	40,194
Allowance for inventory obsolescence and write-off of inventories (included in cost of sales)	**–**	–	**–**	19,041	**–**	19,041
Amortisation of intangible assets	**–**	1,830	**–**	–	**–**	1,830
Amortisation of goodwill	**–**	6,928	**–**	–	**–**	6,928
Amortisation of prepaid lease payments	**186**	557	**–**	89	**186**	646
Auditors' remuneration	**2,622**	1,830	**–**	850	**2,622**	2,680
Depreciation of property and equipment:						
Owned assets	**11,521**	17,220	**10,019**	26,024	**21,540**	43,244
Leased assets	**135**	190	**–**	168	**135**	358
	11,656	17,410	**10,019**	26,192	**21,675**	43,602
Operating lease rentals in respect of land and buildings:						
Minimum lease payments	**16,888**	16,772	**44,956**	109,140	**61,844**	125,912
Contingent rents	**–**	–	**2,414**	3,233	**2,414**	3,233
	16,888	16,772	**47,370**	112,373	**64,258**	129,145
Net foreign exchange loss (gain)	**643**	(3,566)	**–**	–	**643**	(3,566)
Dividends from investments	**(143)**	(1,015)	**–**	–	**(143)**	(1,015)
Impairment loss recognised in respect of property and equipment	**–**	–	**–**	2,060	**–**	2,060

14. TAXATION (CREDIT) CHARGE

	Continuing operations		Discontinued operation		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong Profits Tax:						
Provision for the year	**941**	350	**–**	–	**941**	350
Underprovision in prior year	**–**	–	**–**	6	**–**	6
Deferred taxation	**(3,940)**	–	**–**	–	**(3,940)**	–
	(2,999)	350	**–**	6	**(2,999)**	356

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both 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		
Continuing operations	**(18,576)**	(79,027)
Discontinued operation	**(11,482)**	(82,611)
	(30,058)	(161,638)
Taxation at income tax rate of 17.5%	**(5,260)**	(28,287)
Tax effect of share of results of associate	**4,677**	–
Tax effect of estimated tax losses not recognised	**6,319**	16,540
Tax effect of expenses not deductible for tax purpose	**4,885**	17,725
Tax effect of income not taxable for tax purpose	**(3,923)**	(988)
Tax effect of utilisation of estimated tax losses previously not recognised	**(5,817)**	(4,532)
Underprovision of taxation in prior years	**–**	6
Recognition of tax losses/deferred tax assets previously not recognised	**(3,940)**	–
Others	**60**	(108)
Taxation for the year	**(2,999)**	356

14. TAXATION (CREDIT) CHARGE (continued)

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

	Accelerated tax depreciation	Estimated tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2004	(4,589)	4,589	–
Credit (Charge) to income statement	95	(95)	–
At 31 December 2004 and 1 January 2005	(4,494)	4,494	–
Credit to income statement	1,169	2,771	3,940
Eliminated on deemed disposal of CRMG	2,549	(2,549)	–
At 31 December 2005	(776)	4,716	3,940

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities of approximately HK$776,000 have been offset.

In May 2005, CRMG ceased to be a subsidiary of the Group resulting the decrease in unused tax loss of HK$162,681,000. At the balance sheet date, the Group has estimated unused tax losses of HK$428,705,000 (2004: HK$ 587,250,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,949,000 (2004: HK$25,680,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses HK$401,756,000 (2004: HK$561,570,000) due to the unpredictability of future profit streams.

15. DISCONTINUED OPERATION

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

Please refer to note 22 for share of loss of associate for details.

The loss for the year from discontinued operation is analysed as follows:

	2005	2004
	HK$'000	HK$'000
		(restated)
Loss of retailing operation for the period/year	**(10,508)**	(82,617)
Loss on deemed disposal of CRMG (note 39)	**(974)**	–
	(11,482)	(82,617)

15. DISCONTINUED OPERATION (continued)

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

	Period from 1.1.2005 to 23.5.2005 HK$'000	Year ended 31.12.2004 HK$'000 (restated)
Revenue	**374,525**	876,969
Cost of sales	**(248,565)**	(593,557)
Other operating, administrative and selling expenses	**(124,193)**	(336,793)
Depreciation of property and equipment	**(10,019)**	(26,192)
Finance costs	**(2,256)**	(3,038)
Loss before taxation	**(10,508)**	(82,611)
Taxation	**–**	(6)
Loss for the period/year	**(10,508)**	(82,617)

During the period ended 23 May 2005, CRMG paid HK$33,860,000 (2004: HK$26,058,000) in respect of the Group's operating cash flows, paid HK$71,578,000 (2004: HK$45,978,000) in respect of investing activities and received HK$104,429,000 (2004: HK$37,373,000) in respect of financing activities.

16. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 together with the comparative figures for 2004 are based on the following data:

	2005	2004
	HK$'000	HK$'000
		(restated)
Loss for the purpose of basic and diluted loss per share (Loss for the year attributable to equity holders of the Company)	**(37,022)**	(143,954)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**437,483,827**	384,959,237
Effect of dilutive potential ordinary shares on share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**437,483,827**	384,959,237

Loss per share

	2005	2004
Continuing and discontinued operations Basic and diluted loss per share	**HK$(0.08)**	HK$(0.37)

16. LOSS PER SHARE (continued)

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK$'000	2004 HK$'000 (restated)
Loss for the year attributable to equity holders of the Company	**(29,506)**	(88,989)

Loss per share

	2005	2004
Continuing operations		
Basic and diluted loss per share	**HK$(0.06)**	HK$(0.23)

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

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company is based on the following data:

	2005 HK$'000	2004 HK$'000 (restated)
Loss for the year attributable to equity holders of the Company	**(7,516)**	(54,965)

16. LOSS PER SHARE (continued)

Loss per share

	2005	2004
Discontinued operation		
Basic and diluted loss per share	**HK$(0.02)**	HK$(0.14)

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

Diluted loss per share amount for the year ended 31 December 2005 was equal to that of basic loss per share as no diluting event existed.

The calculation of diluted loss per share for 2004 did not:

(i) adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries shares; and

(ii) assume the exercise of the Company's outstanding share options as the exercise prices of these options were higher than the average market price of the shares of the Company.

The following table summaries the impact on basic and diluted loss per share as a result of adjustments arising from changes in accounting policies:

	2005	2004
Impact on basic and diluted loss per share		
Figures before adjustments	**HK$(0.10)**	HK$(0.37)
Adjustments arising from changes in accounting policies (see note 3)	**HK$0.02**	–
Reported/restated	**HK$(0.08)**	HK$(0.37)

17. PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST						
At 1 January 2004						
– as originally stated	55,000	10,000	96,970	186,388	3,360	351,718
– effect on adopting HKAS 17	(18,807)	–	–	–	–	(18,807)
– as restated	36,193	10,000	96,970	186,388	3,360	332,911
Additions	7,350	–	9,863	17,908	–	35,121
Disposals	–	–	(12,848)	(11,248)	(220)	(24,316)
At 31 December 2004 and 1 January 2005	43,543	10,000	93,985	193,048	3,140	343,716
Additions	–	–	5,547	1,526	466	7,539
Disposals	(9,780)	(10,000)	(1,924)	(55,760)	(350)	(77,814)
Deemed disposal of subsidiary	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005	–	–	44,004	60,485	1,840	106,329
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2004						
– as originally stated	21,668	10,000	53,888	131,136	954	217,646
– effect on adopting HKAS 17	(900)	–	–	–	–	(900)
– as restated	20,768	10,000	53,888	131,136	954	216,746
Provided for the year	1,883	–	18,079	22,497	1,143	43,602
Impairment loss recognised in the income statement	–	–	899	1,161	–	2,060
Eliminated on disposals	–	–	(10,214)	(8,892)	(83)	(19,189)

17. PROPERTY AND EQUIPMENT (continued)

	Buildings	Construction in progress	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2004 and 1 January 2005	22,651	10,000	62,652	145,902	2,014	243,219
Provided for the year	712	–	10,168	10,423	372	21,675
Eliminated on disposals	(6,045)	(10,000)	(1,924)	(54,941)	(7)	(72,917)
Eliminated on deemed disposal of subsidiary	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005	–	–	36,057	56,097	1,373	93,527
NET BOOK VALUES						
At 31 December 2005	–	–	7,947	4,388	467	12,802
At 31 December 2004	20,892	–	31,333	47,146	1,126	100,497

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

As at 31 December 2004, buildings with a net book value of HK$16,631,000 held by the Group were pledged to secure general banking facilities granted to the Group.

The net book values of furniture, fixtures and equipment and motor vehicles included an amount of nil (2004: HK$83,000) and HK$389,000 (2004: HK$334,000) respectively in respect of assets held under finance leases.

18. PREPAID LEASE PAYMENTS

	2005 HK$'000	2004 HK$'000 (restated)
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong, medium-term lease	–	49,120
Analysed for reporting purposes as:		
Current asset (included in prepayments, deposits and other receivables)	–	876
Non-current asset	–	48,244
	–	49,120

As at 31 December 2004, prepaid lease payments with a net book value of HK$42,210,000 held by the Group were pledged to secure general banking facilities granted to the Group.

19. INVESTMENTS IN SECURITIES

Investments in securities as at 31 December 2004 are set out below. Upon the application of HKAS 39 on 1 January 2005, investments were reclassified to appropriate categories under HKAS 39 (see note 3).

	Investment securities HK$'000	Other investments HK$'000	Total HK$'000
Equity securities:			
Non-current			
Unlisted, at cost	312,200	–	312,200
Impairment loss recognised	(301,400)	–	(301,400)
	10,800	–	10,800
Current			
Listed in Hong Kong, at market value	–	64,700	64,700
	10,800	64,700	75,500

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December, 2005 comprise:

	HK$'000
Unlisted equity securities	10,800
Less: Impairment loss recognised	(10,800)
Total	–

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

Impairment loss is calculated by comparing the carryng amount of investments with the present value of estimated future cash flow from the investments.

21. GOODWILL

	HK$'000
COST	
At 1 January 2004	111,500
Arising on additional payment for acquisition of a subsidiary (note (i))	1,400
Arising on subscription of CFSG's rights shares	1,919
At 1 January 2005	114,819
Elimination of accumulated amortisation and impairment upon the adoption of HKFRS 3 (see note 2)	(57,620)
Deemed disposal of CRMG	(12,871)
Deemed disposal of CFSG	(566)
Transfer of goodwill of CRMG to interest in associate (note 22)	(26,336)
At 31 December 2005	17,426
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	40,692
Amortisation charge for the year	6,928
Impairment loss recognised (note (ii))	10,000
At 1 January 2005	57,620
Elimination of accumulated amortisation and impairment upon the adoption of HKFRS 3	(57,620)
At 31 December 2005	–
NET BOOK VALUES	
At 31 December 2005	17,426
At 31 December 2004	57,199

Notes:

(i) Pursuant to the sales and purchase agreement relating to the sale and purchase of 700,000 shares in the issued capital of CASH Frederick Taylor Limited (formerly known as Frederick Taylor International Financial Services Limited) entered into between the Group and the vendors dated 1 July 2003, the Group undertook to pay the vendors an additional amount of HK$1,400,000 if certain conditions could be fulfilled in 2004. As these conditions were fulfilled, the Group paid a total amount of HK$1,400,000 to the vendors. Accordingly, the consideration for the acquisition of CASH Frederick Taylor Limited was adjusted.

21. GOODWILL (continued)

(ii) Due to continuous losses incurred by the subsidiaries principally engaging in wholesale and retailing of furniture and household goods, the Directors reassessed the recoverable amount of the goodwill arising on acquisition of these subsidiaries and recognised an impairment loss of HK$10,000,000 which was determined with reference to the estimated amount obtainable from the sale of these subsidiaries less cost of disposal.

Particulars regarding impairment testing on goodwill are disclosed in note 24. Until 31 December 2004, goodwill had been amortised over its estimated useful life from 3 to 20 years.

22. INTEREST IN ASSOCIATE

	2005	2004
	HK$'000	HK$'000
Cost of investment in associate listed in Hong Kong	**130,598**	–
Share of post-acquisition loss	**(26,728)**	–
	103,870	–
Fair value of listed investments	**227,640**	–

As at 31 December 2005, the Group had interests in the following associate:

Name of entity	**Form of business structure**	**Place/ Country of incorporation/ registration**	**Principal place of operation**	**Class of share held**	**Proportion of nominal value of issued capital/ registered capital held by the Group** %	**Proportion of voting power held** %	**Principal activity**
CRMG	Incorporated	Bermuda	Hong Kong	Ordinary	40.59	40.59	Retailing

22. INTEREST IN ASSOCIATE (continued)

Included in the cost of investment in associate is goodwill of HK$23,924,000 (2004: nil). The movement of goodwill is set out below:

	HK$'000
COST	
At 1 January 2005	–
Arising from change of a subsidiary to an associate on 23 May 2005 (note 15)	26,336
	26,336
Elimination on deemed disposal on 30 December 2005	(2,412)
At 31 December 2005	23,924
CARRYING VALUE – at 31 December 2005	23,924

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

	2005 HK$'000
Total assets	952,600
Total liabilities	(709,058)
Net assets	243,542
Group's share of net assets of associate	98,878
Revenue	865,647
Loss for the period	(65,833)
Group's share of result of associate for the year	(26,728)

23. INTANGIBLE ASSETS

	Club membership HK$'000	Trading rights HK$'000	Seats in HKEx and HKFE HK$'000	Total HK$'000
COST				
At 1 January 2004 and 31 December 2004	–	18,235	–	18,235
Reclassified from other assets	1,970	–	199	2,169
Elimination of accumulated amortisation upon the adoption of HKAS 38 (see note 2)	–	(9,143)	–	(9,143)
At 31 January 2005 and 31 December 2005	1,970	9,092	199	11,261
AMORTISATION				
At 1 January 2004	–	7,313	–	7,313
Charged for the year	–	1,830	–	1,830
At 31 December 2004 and 1 January 2005	–	9,143	–	9,143
Elimination of accumulated amortisation upon the adoption of HKAS 38	–	(9,143)	–	(9,143)
At 31 December 2005	–	–	–	–
NET BOOK VALUES				
At 31 December 2005	1,970	9,092	199	11,261
At 31 December 2004	–	9,092	–	9,092

Intangible assets amounting HK$9,092,000 represents trading rights in the exchange in Hong Kong. Until 31 December 2004, the trading rights had been amortised on a straight-line basis over 10 years. In accordance with the transitional provision in HKAS 38, the Group reassessed the useful lives of the trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives and discontinued amortising the trading rights from 1 January 2005 onwards. Particulars regarding impairment testing on the trading rights are disclosed in note 24.

23. INTANGIBLE ASSETS (continued)

Intangible assets amounting to HK1,970,000 and HK$199,000 represents club memberships and seats in HKEx and HKFE. Until 31 December 2004, the club memberships and the seats in HKEx and HKFE were classified as other assets. On 1 January 2005, in the opinion of the Directors, all were reclassified to intangible assets with indefinite useful life (see note 3).

For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. During the year ended 31 December 2005, management of the Group determines that there is no impairment of the club memberships since the recoverable amount of the club memberships exceeds its carrying amount.

24. IMPAIRMENT TESTINGS ON GOODWILL AND TRADING RIGHTS

The Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 21 and 23 respectively have been allocated to the following cash generating unit ("CGU"). The carrying amounts of goodwill and trading rights (net of accumulated impairment losses) as at 31 December 2005 allocated to this unit are as follows:

	Goodwill HK$'000	**Trading rights** HK$'000
Broking – Broking of securities	17,426	9,092

During the year ended 31 December 2005, management of the Group determines that there are no impairment of any of the CGU containing goodwill or trading rights.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period, and discount rate of 7.75%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development.

25. OTHER ASSETS

	2005 **HK$'000**	2004 HK$'000
Club memberships	**–**	3,929
Statutory and other deposits	**7,564**	6,617
Prepayment for advertising and telecommunication services	**2,800**	8,531
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	**(2,800)**	(5,731)
	7,564	13,346

On 1 January 2005, in the opinion of the Directors, club memberships and seats in HKEx and HKFE amounting to HK$1,970,000 and HK$199,000 were reclassified as intangible assets with indefinite useful life. Moreover, club memberships of HK$1,760,000 were reclassified as available-for-sale investments.

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

The fair values of these assets at the balance sheet date approximate their carrying amounts.

26. LOAN RECEIVABLES

	2005 HK$'000	2004 HK$'000
Fixed-rate loan receivables	**637**	668
Variable-rate loan receivables	**76,684**	103,695
	77,321	104,363
Less: Allowance for bad and doubtful debts	**(38,136)**	(64,406)
	39,185	39,957
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**38,460**	20,623
Non-current assets (receivable after 12 months from the balance sheet date)	**725**	19,334
	39,185	39,957

All the loan receivables are denominated in Hong Kong dollars.

Loan receivables with an aggregate carrying value of approximately HK$25,756,000 (2004: HK$22,968,000) are secured by pledged marketable securities.

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

	2005 HK$'000	2004 HK$'000
Within one year	**34**	34
More than one year but not exceeding two years	**34**	34
More than two years but not exceeding five years	**153**	153
More than five years	**416**	447
	637	668

26. LOAN RECEIVABLES (continued)

The effective interest rate (which is equal to contractual interest rate) on the Group's loan receivables is 4.98% (2004: 4.98%). Interest rate term is fixed at the time when entering into loan agreement.

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

	2005	2004
	HK$'000	HK$'000
Within one year	**38,426**	20,589
More than one year but not exceeding two years	**23**	18,700
More than two years but not exceeding five years	**79**	–
More than five years	**20**	–
	38,548	39,289

The effective interest rates (which are equal to contractual interest rate) on the Group's loan receivables are prime rate plus a spread. Interest rate is repriced every six months.

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

27. DEPOSITS FOR ACQUISITION

Pursuant to the circular of CFSG dated 30 November 2005 ("Circular"), CFSG underwent several fund raising transactions and a major acquisition transaction.

The proposed conditional acquisition of Netfield Technology Limited and its subsidiaries (hereinafter collectively referred to as the "Netfield Group"), as elaborated in the Circular, was then completed on 10 January 2006. Under the terms of acquisition, deposit of HK$55,000,000 had been paid as well as related costs of approximately HK$1,095,000 were incurred before the year end date. This sum is presented as "Deposits for acquisition" in the balance sheet.

27. DEPOSITS FOR ACQUISITION (continued)

Further explanations of the related transactions occurred after the year end date is presented in note 47(a) to the financial statements, "Post balance sheet events".

The fair value of this deposit at the balance sheet date approximates its carrying amount.

28. INVENTORIES

	2005 HK$'000	2004 HK$'000
Finished goods held for sale	**–**	59,013

29. ACCOUNT RECEIVABLES

	2005 HK$'000	2004 HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**29,894**	16,168
Cash clients	**94,958**	86,935
Margin clients	**270,707**	183,287
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**70,718**	72,989
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**2,275**	3,302
Account receivables arising from the business of provision of corporate finance services	**1,032**	510
Other account receivables	**188**	1,856
	469,772	365,047

29. ACCOUNT RECEIVABLES (continued)

Account receivables are netted off by allowance for bad and doubtful debts of HK$27,872,000 (2004: HK$28,572,000).

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

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

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

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

Name of company	**Balance at 31.12.2005**	**Balance at 1.1.2005**	**Maximum amount outstanding during the year**
	HK$'000	HK$'000	HK$'000
Cash Guardian Limited ("Cash Guardian")	11,569	10,178	11,569

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

29. ACCOUNT RECEIVABLES (continued)

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

	2005	2004
	HK$'000	HK$'000
0 – 30 days	**2,373**	4,167
31 – 60 days	**436**	619
61 – 90 days	**5**	307
Over 90 days	**681**	575
	3,495	5,668

During the year, there was significant increase in the recoverable value of commission receivable due to significant economic recovery. As a result, a reversal of allowance for bad and doubtful debts of HK$702,000 (2004: nil) has been recognised in the current year.

The fair values of the Group's account receivables at 31 December 2005 approximate to the corresponding carrying amounts.

30. OTHER FINANCIAL ASSETS AND LIABILITIES

Prepayments, deposits and other receivables

The fair values of the deposits and other receivables included in the accounts at the balance sheet date approximate the corresponding carrying amounts.

Bank balances – trust and segregated accounts

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

30. OTHER FINANCIAL ASSETS AND LIABILITIES

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less. The fair values of these assets at the balance sheet date approximate their carrying amounts.

Accrued liabilities and other payables

The fair values of the accrued liabilities and other payables at the balance sheet date approximate the corresponding carrying amounts.

31. INVESTMENTS HELD FOR TRADING

Listed investments held for trading as at 31 December 2005 included:

	HK$'000
Equity securities listed in Hong Kong	35,467

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

32. DERIVATIVE FINANCIAL INSTRUMENT

	2005 **HK$'000**	2004 HK$'000
Interest rate swap	**16**	–

32. DERIVATIVE FINANCIAL INSTRUMENT (continued)

Major terms of the interest rate swap are as follows:

Nominal amount	Maturity	Swaps
HK$15,000,000	25 August 2006	Pay 3% and receive HKD 3-month HIBOR

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

33. BANK DEPOSITS UNDER CONDITIONS

	2005	2004
	HK$'000	HK$'000
Other bank deposits (note (a))	**16,207**	16,018
Pledged bank deposits (note (b))	**918**	36,766
	17,125	52,784

The fair values of these assets at the balance sheet date approximate their carrying amounts. The bank deposits under conditions carry average fixed interest rate at 1.33% (2004: 0.8%) per annum. The effective interest rates on the Group's bank deposits under conditions are also equal to contracted interest rates.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is withdrawn.

(b) The Group's bank deposits of HK$918,000 (2004: HK$36,766,000) was pledged to secure the general banking facilities granted by a bank. The bank deposits will mature when the banking facilities are withdrawn.

34. ACCOUNT PAYABLES

	2005 HK$'000	2004 HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**347,961**	353,113
Margin clients	**77,148**	64,168
Clearing houses, brokers and dealers	**–**	39,875
Account payables to clients arising from the business of dealing in futures and options	**127,446**	156,151
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**3,010**	3,599
Other account payables	**26,400**	168,084
	581,965	784,990

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

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

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

The account payables amounting to HK$352,902,000 (2004: HK$433,156,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

The fair values of the account payables at the balance sheet date approximate to corresponding carrying amounts.

35. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its furniture and fixtures, and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.4% to 6%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**164**	96	**150**	93
In more than one year but not more than two years	**177**	–	**159**	–
	341	96	**309**	93
Less: future finance charges	**(32)**	(3)	**–**	–
Present value of lease obligations	**309**	93	**309**	93
Less: Amount due for settlement within 12 months (shown under current liabilities)			**150**	93
Amount due for settlement after one year			**159**	–

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

The fair values of the 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 amounts.

36. BANK BORROWINGS

	2005	2004
	HK$'000	HK$'000
Secured:		
Bank overdrafts	**109,301**	40,132
Bank loans	**142,000**	125,897
Trust receipt loans	**–**	57,200
	251,301	223,229

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

	2005	2004
	HK$'000	HK$'000
On demand or within one year	**171,737**	181,777
More than one year but not exceeding two years	**–**	6,634
More than two years but not exceeding five years	**79,564**	34,818
	251,301	223,229
Less: Amount due within one year shown under current liabilities	**(171,737)**	(181,777)
Amount due after one year	**79,564**	41,452

36. BANK BORROWINGS (continued)

The bank borrowings bear interest at commercial rates. These borrowings are used to finance the financing business of the Group.

At 31 December 2005, the Group's bank borrowings of HK$251,301,000 (2004: HK$223,229,000) were secured by:

(a) corporate guarantees from certain subsidiaries of the Company and the Company; and

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

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 33).

Bank overdrafts amounting to HK$109,301,000 (2004: HK$40,132,000) carry interest at either HIBOR plus a spread or Prime rate. Bank loans amounting to HK$142,000,000 (2004: HK$125,897,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Prime rate plus a spread. Interest rate is repriced every one to six months.

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

The Directors consider that the fair values of bank borrowings at the balance sheet date approximate their carrying amounts.

As at the balance sheet date, the Group has undrawn borrowing facility amounting to HK$677,500,000 (2004: HK$429,500,000) with floating rate and expiring within one year.

37. CONVERTIBLE LOAN NOTE

Convertible loan note issued by CFSG

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

The convertible loan note contains three components, embedded derivative for early redemption, liability and equity elements. Upon the application of HKAS 32 *Financial Instruments*: *Disclosure and Presentation* (see notes 2 and 3 for details), the convertible loan note was split between the liability (including embedded derivative for early redemption) and equity elements, on a retrospective basis. The Directors had assessed the fair value of the early redemption right upon the application of HKAS 39 *Financial Instruments*: *Recognition and Measurement* and considered the fair value is insignificant. The equity element is presented in equity heading "convertible loan note equity reserve". The effective interest rate of the liability component is HIBOR plus a spread.

During the year ended 31 December 2004, CFSG has made full repayment of another convertible loan note in a total amount of HK$125,000,000. This convertible loan note issued to a fellow subsidiary of CFSG bears interest at a rate of 2% and is repayable on or before 31 December 2006. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and is not entitled to vote at general meetings of CFSG. CFSG has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The convertible loan note is transfereable with the consent of CFSG.

37. CONVERTIBLE LOAN NOTE (continued)

Convertible loan note issued by CFSG (continued)

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

	2005	2004
	HK$'000	HK$'000
		(restated)
Liability component at the beginning of the year/at issuance	**39,834**	39,729
Interest charge	**284**	105
Partial repayment	**(9,876)**	–
Liability at the end of the year	**30,242**	39,834

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

The fair value of the liability component of the convertible loan note at the balance sheet date approximates its carrying amount.

38. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2004		500,000	50,000
Increase during the year	(a)	500,000	50,000
At 31 December 2004 and 31 December 2005		1,000,000	100,000
Issued and fully paid:			
At 1 January 2004		365,484	36,548
Issue of shares	(b)	72,000	7,200
At 31 December 2004 and 31 December 2005		437,484	43,748

Notes:

(a) Pursuant to an ordinary resolution passed on 9 February 2004, the authorised share capital of the Company was increased from HK$50,000,000 to HK$100,000,000 by the creation of an additional 500,000,000 shares of HK$0.10 each.

(b) Pursuant to an agreement dated 19 August 2004, 72,000,000 new shares of HK$0.10 each were issued to ARTAR, an independent third party, at the subscription price of HK$0.33 per share upon completion of the agreement on 24 September 2004. The proceeds of approximately HK$23,760,000 was used as to approximately HK$20,000,000 for the development of the international business while the balance as the general working capital of the Group.

39. DEEMED DISPOSAL OF A SUBSIDIARY

During the financial year, CRMG undertook the following transactions:

(a) Pursuant to the two subscription agreements dated 23 March 2005, a total of 83,000,000 ordinary shares of HK$0.02 each were issued to two subscribers at the price of HK$0.28 per share on 6 April 2005.

(b) 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 price of HK$0.30 per share on 19 May 2005.

(c) On 23 May 2005, 19,833,333 share options were exercised at the exercise price of HK$0.316 per share, resulting in the issuance of 19,833,333 shares of HK$0.02 each.

39. DEEMED DISPOSAL OF A SUBSIDIARY (continued)

The issuance of the subscription shares and placing shares of CRMG as set out in (a) to (c) had resulted in a dilution of the Group's shareholding in CRMG from 66.52% as at 31 December 2004 to 44.69% as at the end of 23 May 2005. From then onwards CRMG became an associate of the Group and the retailing operation engaged by CRMG was classified as a discontinued operation of the Group as a result of these deemed disposals.

The loss on deemed disposal of CRMG from the above mention transaction amounted to HK$974,000.

The impact of CRMG on the Group's results and cash flows in the current and prior periods is disclosed in note 15.

The net (assets) liabilities of CRMG at the date of deemed disposal were as follows:

	2005
	HK$'000
Net (assets) liabilities disposed of:	
Property and equipment	68,662
Prepaid lease payment	17,646
Inventories	61,492
Trade debtors	6,345
Listed investments held for trading	13,714
Prepayments, deposits and other receivables	106,501
Amount due from group companies	5,304
Deposit under condition	34,400
Bank balances and cash	163,232
Trade creditors	(141,711)
Other creditors and accured charges	(89,912)
Bank loan	(18,957)
Net assets	226,716
Cash and cash equivalents disposed of	163,232

40. MAJOR NON-CASH TRANSACTIONS

Pursuant to an agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group has not utilised any advertising and telecommunication services (2004: HK$11,213,000).

41. CONTINGENT LIABILITIES

Company and subsidiaries

(a) Cheung Yiu Wing ("Cheung"), the former chairman and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim against the Company alleging that the Company had orally agreed to purchase from Cheung 50 million shares of KPI at a price of HK$1.90 per share and seeking relief against the Company for, inter alia, damages. No discussions had been made between the Company and Cheung in relation to any purchase or intention to purchase the said shares as claimed by Cheung and no agreement of whatever nature, oral or written, had been entered into between the Company and Cheung. In July 2005, the court had delivered the judgement in favour of the Company. Cheung had filed a notice of appeal and the hearing date was fixed by the court on 15 and 16 June 2006. The Directors are of the view that the appeal of Cheung would not be successful. Accordingly, no provision has been made in the financial statements.

(b) Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision has been made in the financial statements.

(c) During the year, Theodore J Marr ("Marr") filed a cross-summons in the United States against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between ILUX Corporation, ("ILUX") a subsidiary of the Company and Marr, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's heads of claim against cross-complainants, and interest. The Directors do not envisage the claim by Marr will be held to be valid. Accordingly, no provision has been made in the financial statements.

41. CONTINGENT LIABILITIES (continued)

Associate

(Being contingent liabilities arising prior to the deemed disposal of CRMG)

(d) (i) In prior year, Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, Pricerite Stores Limited ("PSL"), a the subsidiary of CRMG, 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.

(ii) Bates China Limited ("Bates China") filed a statement of claim against, inter alia, CRMG as a second defendant, alleging that CRMG 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. CRMG had not appointed Bates China as its contracted advertising agent and no agreement of whatever nature, oral or written, had been entered into between CRMG 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 a 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.

(e) Chan Pit Wah ("Chan") filed a statement of damages against PSL, alleging that a forklift truck of PSL rolled over Chan's right foot and he has 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 Chan was in a sum of HK$1,150,000. The said sum had been fully recognised and paid up during the year.

(f) 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, PSL made a provision of HK$249,000. The case has been settled during the year and PSL 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.

42. OPERATING LEASE COMMITMENTS

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

	2005	2004
	HK$'000	HK$'000
Within one year	**16,643**	95,833
In the second to fifth year inclusive	**20,901**	117,775
	37,544	213,608

Operating lease payments represent rental payables by the Group for office premises and retail shops. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years. In prior year, in addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop in respect of its discontinued operation.

43. 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 29 March 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 the Group, including CFSG and its subsidiaries ("CFSG Group") and CRMG and its subsidiaries ("CRMG Group") (together "CASH Group"); or

43. SHARE OPTION SCHEMES (continued)

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

- 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 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 43,748,382 shares, representing 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.

43. 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 during the year:

					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 (Note 2)	outstanding as at 31/12/2004 and 1/1/2005	lapsed in 2005 (Note 2)	outstanding as at 31 December 2005
Directors									
Old Option Scheme	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	1,500,000	(1,500,000)	–	–	–
New Option Scheme	2/12/2003	0.502	2/12/2003-30/11/2005		16,000,000	(1,000,000)	15,000,000	(15,000,000)	–
					17,500,000	(2,500,000)	15,000,000	(15,000,000)	–
Employees									
Old Option Scheme	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	3,000,000	(3,000,000)	–	–	–
					20,500,000	(5,500,000)	15,000,000	(15,000,000)	–

Notes:

(1) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

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

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

There was no outstanding share option at 31 December 2005.

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG

Pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002, CFSG adopted the share option scheme ("CFSG New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme"). All the options granted under the CFSG Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CFSG Old Option Scheme. The major terms of the CFSG 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 CFSG New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG 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 CFSG New Option Scheme and any other share option scheme must not exceed 30% of the share 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 CFSG 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.

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (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 CFSG and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of CFSG 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 CFSG.

(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 CFSG New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of options: outstanding as at 1/1/2004	adjusted on 24/4/2004	lapsed in 2004	outstanding as at 31/12/2004	granted in 2005 (note 4)	exercised in 2005 (note 3)	lapsed in 2005 (note 5)	outstanding as at 31/12/2005
Directors												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1)&(2)	8,160,000	2,448,000	(10,608,000)	–	–	–	–	–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(1)	8,750,000	2,625,000	(11,375,000)	–	–	–	–	–
	2/12/2003	0.34	2/12/2003-30/11/2005	(1)	19,600,000	5,880,000	(3,185,000)	22,295,000	–	–	(22,295,000)	–
	6/10/2005	0.38	6/10/2005-31/10/2006		–	–	–	–	38,700,000		–	38,700,000
					36,510,000	10,953,000	(25,168,000)	22,295,000	38,700,000	–	(22,295,000)	38,700,000
Employees												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1)&(2)	2,040,000	612,000	(2,652,000)	–	–	–	–	–
	27/3/2001	0.83	1/10/2001-30/9/2004	(1)&(2)	754,800	220,320	(975,120)	–	–	–	–	–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(1)	3,750,000	1,125,000	(4,875,000)	–	–	–	–	–
	2/12/2003	0.34	1/6/2004-31/5/2006	(1)&(2)	17,750,000	5,115,000	(1,675,000)	21,190,000	–	(13,325,000)	(2,795,000)	5,070,000
	6/10/2005	0.38	6/10/2005-31/10/2006		–	–	–	–	36,300,000	–	–	36,300,000
					24,294,800	7,072,320	(10,177,120)	21,190,000	36,300,000	(13,325,000)	(2,795,000)	41,370,000
					60,804,800	18,025,320	(35,345,120)	43,485,000	75,000,000	(13,325,000)	(25,090,000)	80,070,000

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the CFSG with effect from 24 April 2004. The exercise prices per share were adjusted from HK$1.08 to HK$0.83, from HK$0.60 to HK$0.46 and from HK$0.44 to HK$0.34.

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

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

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

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

(6) No option was cancelled during the year.

The exercise in full of the outstanding 80,070,000 share options at 31 December 2005 would, under the present capital structure of CFSG, result in the issue of 80,070,000 additional shares for a total cash consideration, before expenses, of approximately HK$30,224,000.

43. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

During the year ended 31 December 2005, options were granted on 6 October 2005 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK$162,500. No option was granted during the year of 2004. During the year ended 31 December 2003, options were granted on 2 December 2003 and vested over two years. The estimated fair values of the options granted on that date are HK$720,000. HK$40,000 was charged to the profit or loss during the year ended 31 December 2005 while HK$680,000 was charged in the years ended 31 December 2003 and 31 December 2004. The Group recognised the total expenses of HK$202,500 for the year ended 31 December 2005 (2004: HK$219,000) in relation to share options granted by the CFSG.

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

	Share option grant date	
	2 December 2003	**6 October 2005**
Weighted average share price	HK$0.44	HK$0.32
Exercise price	HK$0.44	HK$0.38
Expected volatility	20%	20%
Expected life	2.5 years	1 year
Risk-free rate	1.71%	3.86%
Expected dividend yield	0%	3.125%

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

44. RETIREMENT BENEFITS SCHEME

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

The employer's contributions to the retirement benefits schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$5,456,000 (2004: HK$8,052,000) and HK$945,000 (2004: HK$223,000) respectively for the year ended 31 December 2005.

45. COMMITMENTS

(a) Underwriting commitment

At 31 December 2005, the Group had an underwriting commitment of HK$129,120,750 in respect of the new share public offer under the requirement of a corporate finance business. The deal was completed on 6 January 2006. The underwriting commitment of the Group was then fully discharged.

45. COMMITMENTS (continued)

(b) Capital commitments

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

	2005 HK$'000	2004 HK$'000
Capital expenditure commitment in respect of the acquisition of subsidiaries contracted for but not provided in the financial statements	**55,000**	–

The acquisition of subsidiaries was duly passed at the special general meeting by shareholders and independent shareholders of the Company on 20 December 2005. The acquisition was completed on 10 January 2006 upon the completion of all conditions as stated in the share purchase agreement dated 15 September 2005. Details of the transaction was disclosed in note 47(a).

46. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

(a) During the year, the Group received placing agent commission of approximately HK$1,312,000 (2004: HK$390,000) from CRMG. The fee was calculated at 1.25% on the total proceeds from the placement of CRMG's shares.

(b) During the year, the Group received interest from margin financing of approximately HK$928,000 (2004: HK$736,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

46. RELATED PARTY TRANSACTIONS

(c) During both years, compensation of key management personnel represented Director's remuneration (see note 11). The Director's remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

(d) During the year ended 31 December 2004, the Group transferred prepayment for advertising and telecommunication services of HK$130,000 to a wholly-owned subsidiary of CRMG for a cash consideration of HK$130,000.

(e) During the year ended 31 December 2004, the Group bought cash coupons of approximately HK$101,000 from a wholly-owned subsidiary of CRMG at their face values.

(f) As at 31 December 2005, amount due from an entity, in which Kwan Pak Hoo Bankee has beneficial interest and is a Director, was HK$11,569,000 (2004: HK$10,178,000) (see note 29).

47. POST BALANCE SHEET EVENTS

(a) Subsequent to 31 December 2005, CFSG completed its acquisition of 100% interest in the Netfield Group. The transaction was completed on 10 January 2006 and the acquisition cost of HK$110,000, 000 was satisfied in cash.

In the opinion of the Directors, it is impracticable to disclose the carrying amounts and fair values of each class of Netfield Group's assets, liabilities and contingent liabilities at the date of acquisition as the information with respect to the carrying amounts and fair values have not yet been finalised up to the date of issue of the financial statements.

47. POST BALANCE SHEET EVENTS (continued)

(b) On 10 January 2006, 155,000,000 placing shares of HK$0.10 each of CFSG were issued at a placing price of HK$0.40 each to independent third parties. On the same date, 120,000,000 top up shares of HK$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), the immediate holding company of CFSG, at a price of HK$0.40 per share. The gross proceeds of the two transactions of HK$62,000,000 and HK$48,000,000 respectively were raised for settlement of part of the consideration of the acquisition of the Netfield Group as mentioned in (a).

On 18 January 2006, HK$16,200,000 of the convertible loan note issued by CFSG was converted at the initial conversion price of HK$0.27 each, resulting in the issue of 60,000,000 shares of HK$0.10 each.

After the issuance of the placement shares and the top up shares of CFSG and the issuance of the conversion shares by CFSG upon partial exercise of the convertible loan note, the Group's interest in CFSG was reduced from 49.65% before the disposal to 46.30% immediately after the disposal. CFSG was consequently ceased to be a subsidiary of the Company. Under HKAS 14 *Segment reporting*, CFSG is classified under financial services. Loss arising from the disposal of CFSG amounted to HK$5,294,000.

(c) In January 2006, 1,170,000 share options issued by CFSG were exercised at the exercise price of HK$0.34 each, resulting in the issue of 1,170,000 shares of HK$0.10 each for a total consideration (before expenses) of HK$397,800 on 26 January 2006.

(d) On 20 February 2006, the Company and CRMG entered into an agreement pursuant to which CRMG agreed to sell and the Company agreed to purchase 100% equity interest of CASH Retail Management (HK) Limited, a wholly-owned subsidiary of CRMG and whose subsidiaries carry on mainly all retail businesses of CRMG in Hong Kong ("Retail Group"). 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 CRMG 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 completion of the agreement is subject to the approval by the shareholders of the Company and the shareholders of CRMG 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.

47. POST BALANCE SHEET EVENTS (continued)

In the opinion of the Directors, it is impracticable to disclose impact on business combination from the carrying amounts and fair values of each class of the Retail Group's assets, liabilities and contingent liabilities as the information with respect to the carrying amounts and fair values have not yet been finalised up to the date of issue of the financial statements.

(e) On 27 February 2006, the Group disposed to the purchasers (independent third parties) a total of 54,545,000 shares in CRMG (being about 5% of the entire issued share capital of CRMG) at a total consideration of about HK$30 million. The Group's interest in CRMG was reduced from 40.60% before the disposal to 35.60% immediately after the disposal. The disposal was completed on 27 February 2006 resulting in a gain on disposal of HK$15,039,000.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Paid up issued share capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company	Principal activities
				%	
CFSG	Bermuda	Ordinary HK$104,488,144	51.12*	49.65	Investment holding
CASH Asset Management Limited	Hong Kong	Ordinary HK$200,000	51.12	49.65	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	51.12	49.65	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	51.12	49.65	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$27,000,000	51.12	49.65	Provision of corporate finance services

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

Name	Place of incorporation	Paid up issued share capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company	Principal activities
				%	
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	51.12	49.65	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	51.12	49.65	Money lending
CSL	Hong Kong	Ordinary HK$140,000,000	51.12	49.65	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	51.12	49.65	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	Ordinary HK$1,000,000	35.79**	34.76	Financial advisory consultancy

* The Group holds a 49.65% effective interest in CFSG through CIGL and together with Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, controls a total of 51.12% of voting power at general meetings of CFSG. As at 31 December 2004, the Group holds 51.27% interest in CFSG. The dilution in shareholding was a result of the issue by CFSG 132,000,000 shares of HK$0.10 each at a subscription price of HK$0.27 per share and 145,000,000 shares of HK$0.10 each at a subscription price of HK$0.40 per share during the year.

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

** The Group holds a 34.76% effective interest in CASH Frederick Taylor and controls a 70.00% of voting power at general meetings of CASH Frederick Taylor through the 51.12% of voting power interest in CFSG.

The principal place of operation of the subsidiaries is in Hong Kong. All the subsidiaries shown above are indirectly held by the Company. In the opinion of the directors, a complete list of the particulars of subsidiaries will be of excessive length and therefore the above list contains only the particulars of those subsidiaries which principally affect the results or net assets of the Group.

None of the subsidiaries has issued debt securities at the end of the year except for CFSG which has issued HK$40,500,000 convertible loan note, in which the Group has no interest.