Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 47.

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

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

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [3]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment [6]
HK(IFRIC) – INT 11	HKFRS 2 - Group and Treasury Share Transactions [7]
HK(IFRIC) – INT 12	Service concession arrangements [8]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 March 2006.
4 Effective for annual periods beginning on or after 1 May 2006.
5 Effective for annual periods beginning on or after 1 June 2006.
6 Effective for annual periods beginning on or after 1 November 2006.
7 Effective for annual periods beginning on or after 1 March 2007.
8 Effective for annual periods beginning on or after 1 January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and 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 HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisition on or after 1 January 2005

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

Capitalised goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

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

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

Leasing

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

The Group as lessee

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

Retirement benefit costs

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

Borrowing costs

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Intangible assets

Intangible assets acquired separately

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

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

Intangible assets acquired in a business combination

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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, such 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.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or not classified as loans and receivables, financial assets at fair value through profit or loss and held-to-maturity investments. 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 to profit or loss. Impairment losses on available-for-sale equity investments will not reverse to profit or loss 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 recognition of the impairment loss.

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, 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.

3. 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, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

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

In subsequent periods, the embedded derivative for early redemption right 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 of the Company, will remain in convertible loan note equity reserve until the option is exercised (in which case the balance stated in equity component of convertible loan notes of a listed subsidiary 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 accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

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

Derecognition

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

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

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates, if any, is recognised in profit or loss with a corresponding adjustment to share option reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. The Group chooses not to apply HKFRS 2 with respect to share options granted after 7 November 2002 and vested before 1 January 2005, accordingly, no amount has been recognised in the financial statements in respect of these equity-settled shared-based transactions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK$1,575,000 was 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$452,956,000. 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.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of goodwill is approximately HK$212,027,000. Details of the recoverable amount calculation are disclosed in note 23.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and intangible assets (continued)

Determining whether intangible asset relating to online game related intellectual property is impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the online game related intellectual property and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of online game related intellectual property is approximately HK$12,292,000. Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. As at 31 December 2006, the carrying amount of the domain name is approximately HK$5,460,000. Details of the recoverable amount calculation are disclosed in note 22.

Determining whether intangible asset relating to trademarks is impaired requires an estimation of the value in use of the trademarks. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the trademark and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of trademarks approximately HK$38,000,000. Details of the recoverable amount calculation are disclosed in note 22.

5. FINANCIAL INSTRUMENTS

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, borrowings, account receivables, other receivables, receivable for disposal of an associate, loan receivables, account payables, other payables, payable for acquisition of subsidiaries and convertible loan note. 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.

Financial risk management objectives and policies

Market risk

Equity price risk

The Group is exposed to equity price risk through its listed investments held for trading and available-for-sale investments . The board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Cash flow interest rate risk

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

Credit risk

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

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

5. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has significant concentration of credit risk on loan receivables and receivable for disposal of an associate as the credit risk are mainly attributable from certain limited counterparties, other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and the Directors of the Company consider the credit risk of such authorised institutions is low.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses 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.

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments is estimated using discounted cashflow analysis and the applicable yield curve.

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

6. REVENUE

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

	2006	2005
	HK$'000	HK$'000
Continuing operations		
Fees and commission income	**263,032**	178,720
Interest income	**83,067**	34,900
Online game subscription income	**25,316**	–
Sales of online game auxiliary products	**9,459**	–
Licensing income	**2,476**	–
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**433,272**	–
	816,622	213,620
Discontinued operation		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**–**	374,296
Others	**–**	229
	–	374,525

During the year ended 31 December 2005, due to the issuance of the subscription shares, the placing shares and the option shares of CRMG, the Group's shareholding in CRMG was reduced from 66.52% to 44.69% as at 23 May 2005. From then onwards, CRMG became an associate of the Group and the retailing business engaged by CRMG was classified as discontinued operation of the Group. The financial impact of CRMG on the Group's results and cash flows is disclosed in note 14 to the consolidated financial statements.

As the Directors of the Company is optimistic about the retail business in Hong Kong in particular in view of the improving local economy and consumer market, the Group signed a sale and purchase agreement to acquire the entire interest on the Hong Kong retail businesses from CRMG on 20 February 2006. This acquisition was completed on 30 June 2006 (note 38(iii)), as a result, the financial results of the retail business is consolidated to the Group's results in current year.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, online game services, retailing, investment holding. The online game services division arose from acquisition of online game business on 10 January 2006 and the retailing division arose from acquisition of retailing business on 30 June 2006, as mentioned in note 38. These divisions are the basis on which the Group reports its primary segment information.

In 2005, retailing business is treated as discontinued operation due to the deemed disposal of CRMG as detailed in note 6.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services, wealth management and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and trendy digital products
Investment holding	Strategic investments

Segment information about these businesses is presented as follows:

Income statement for the year ended 31 December 2006

	Financial services HK$'000	**Online game services** HK$'000	**Retailing** HK$'000	**Investment holding** HK$'000	**Consolidated** HK$'000
Revenue	345,977	37,251	433,272	122	816,622
Segment profit (loss)	82,413	(27,527)	(25,898)	(76)	28,912
Share of profit of associates	–	–	14,374	–	14,374
Gain on disposal of associates	–	–	71,100	–	71,100
Unallocated corporate expenses					(55,086)
Profit before taxation					59,300
Taxation charge					(5,939)
Profit for the year					53,361

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Balance sheet as at 31 December 2006

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,537,905	182,249	339,433	33,467	2,093,054
Unallocated corporate assets					216,317
Consolidated total assets					2,309,371
LIABILITIES					
Segment liabilities	1,230,378	38,932	287,606	100,590	1,657,506
Unallocated corporate liabilities					84,534
Consolidated total liabilities					1,742,040

Other information for the year ended 31 December 2006

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Investment holding HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	9,416	10,890	7,775	–	1,685	29,766
Addition of property and equipment in acquisition of subsidiaries	–	9,169	81,163	–	–	90,332
Allowance for bad and doubtful debts	180	–	2,696	–	–	2,876
Depreciation of property and equipment	7,056	1,117	16,213	–	866	25,252
Amortisation of prepaid lease payments	–	–	207	–	–	207
Loss on disposal of property and equipment	–	98	2,233	–	–	2,331
Impairment loss recognised in respect of property and equipment	–	–	5,951	–	–	5,951

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

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
Revenue	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 associates				(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				(15,577)	(11,482)	(27,059)

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
Interests in associates			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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business 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
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

Geographical segments

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

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

	2006	2005
	HK$'000	HK$'000
Hong Kong	**778,066**	213,620
PRC	**26,830**	–
Taiwan	**11,726**	–
	816,622	213,620

7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and additions to property and equipment, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2006 HK$'000	2005 HK$'000
Hong Kong	**1,905,384**	1,151,706
PRC	**148,444**	–
Taiwan	**39,226**	–
	2,093,054	1,151,706

Additions to property and equipment

	2006 HK$'000	2005 HK$'000
Hong Kong	**17,066**	7,539
PRC	**12,100**	–
Taiwan	**600**	–
	29,766	7,539

8. SALARIES, ALLOWANCES AND COMMISSION

	Continuing operations		Discontinued operation		Consolidated	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:						
Salaries, allowances and commission	**220,045**	120,478	**–**	38,207	**220,045**	158,685
Contributions to retirement benefits schemes	**6,289**	3,289	**–**	1,222	**6,289**	4,511
Employee share option benefits	**2,035**	203	**–**	–	**2,035**	203
	228,369	123,970	**–**	39,429	**228,369**	163,399

9. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
Bank overdrafts, bank loans and other borrowings wholly repayable within five years	**63,212**	15,618	**–**	2,256	**63,212**	17,874
Finance leases	**108**	15	**–**	–	**108**	15
Effective interest expense on convertible loan note	**180**	1,351	**–**	–	**180**	1,351
	63,500	16,984	**–**	2,256	**63,500**	19,240

10. DIRECTORS' REMUNERATION

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

	Kwan Pak Hoo Bankee	Law Ping Wah Bernard	Wong Kin Yick Kenneth	Li Yuen Cheuk Thomas	Kwok Oi Kuen Joan Elmond	Chan Hak Sin	Leung Ka Kui Johnny	Wong Chuk Yan	Lin Che Chu George	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006										
Fees:										
Executive Directors	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	100	100	–	–	200
Other remuneration paid to Executive Directors:										
Salaries, allowances and benefits in kind	840	720	1,290	371	324	–	–	–	120	3,665
Performance related incentive payments	3,526	–	1,000	224	160	–	–	–	–	4,910
Employee share option benefits	143	143	143	–	–	53	–	–	53	535
Contributions to retirement benefit scheme	42	36	66	13	22	–	–	–	–	179
Total remuneration	4,551	899	2,499	608	506	153	100	–	173	9,489

10. DIRECTORS' REMUNERATION (continued)

	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	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 benefit scheme	12	36	58	17	44	62	–	–	–	–	229
Total remuneration	3,795	773	1,235	692	931	1,423	–	100	100	–	9,049

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

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

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.

11. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, two (2005: two) were Directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2005: three) individuals were as follows:

	2006 HK$'000	2005 HK$'000
Salaries, allowances and benefits in kind	**2,920**	4,286
Contributions to retirement benefit scheme	**156**	122
Performance related incentive payments	**4,124**	102
Employee share option benefits	**–**	12
	7,200	4,522

11. EMPLOYEES' REMUNERATION (continued)

Their remuneration were within the following band:

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

12. PROFIT (LOSS) BEFORE TAXATION

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit (Loss) before taxation has been arrived at after charging (crediting):						
Advertising and promotion expenses	**39,250**	6,051	**–**	10,218	**39,250**	16,269
Allowance for inventory obsolescence and write-off of inventories (included in cost of sales for retailing business)	**3,544**	–	**–**	–	**3,544**	–
Amortisation of intangible assets	**4,131**	–	**–**	–	**4,131**	–
Amortisation of prepaid lease payments	**207**	186	**–**	–	**207**	186
Auditors' remuneration	**3,500**	2,622	**–**	–	**3,500**	2,622
Consultancy fees	**9,783**	–	**–**	–	**9,783**	–
Depreciation of property and equipment	**25,252**	11,656	**–**	10,019	**25,252**	21,675
Loss (Gain) on disposal of property and equipment	**2,331**	(43)	**–**	(6,730)	**2,331**	(6,773)
Cost of inventories recognised as an expense	**277,100**	–	**–**	248,565	**277,100**	248,565
Share of tax of an associate (included in share of results of associates)	**4,614**	–	**–**	–	**4,614**	–
Operating lease rentals in respect of land and buildings:						
Minimum lease payments	**71,543**	16,888	**–**	44,956	**71,543**	61,844
Contingent rents (note)	**1,562**	–	**–**	2,414	**1,562**	2,414
	73,105	16,888	**–**	47,370	**73,105**	64,258
Net foreign exchange (gain) loss	**(166)**	643	**–**	–	**(166)**	643
Dividends from investments	**(471)**	(143)	**–**	–	**(471)**	(143)

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

13. TAXATION (CHARGE) CREDIT

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The (charge) credit comprises:						
Current tax:						
– Hong Kong	**(4,140)**	(941)	**–**	–	**(4,140)**	(941)
– PRC	**(143)**	–	**–**	–	**(143)**	–
	(4,283)	(941)	**–**	–	**(4,283)**	(941)
Overprovision in prior years	**94**	–	**–**	–	**94**	–
	(4,189)	(941)	**–**	–	**(4,189)**	(941)
Deferred taxation	**(1,750)**	3,940	**–**	–	**(1,750)**	3,940
	(5,939)	2,999	**–**	–	**(5,939)**	2,999

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

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

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

13. TAXATION (CHARGE) CREDIT (continued)

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

	2006 **HK$'000**	2005 HK$'000
Profit (Loss) before taxation:		
Continuing operations	**59,300**	(18,576)
Discontinued operation	**–**	(11,482)
	59,300	(30,058)
Taxation (charge) credit at income tax rate of 17.5%	**(10,378)**	5,260
Overprovision in respect of prior years	**94**	–
Tax effect of share of results of associates	**2,515**	(4,677)
Tax effect of expenses not deductible for tax purpose	**(7,926)**	(4,885)
Tax effect of income not taxable for tax purpose	**15,703**	3,923
Tax effect of estimated tax losses not recognised	**(14,018)**	(6,319)
Tax effect of utilisation of estimated tax losses previously not recognised	**8,712**	5,817
Recognition of tax losses/deferred tax assets previously not recognised	**–**	3,940
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(587)**	–
Others	**(54)**	(60)
Taxation (charge) credit	**(5,939)**	2,999

13. TAXATION (CHARGE) CREDIT (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 HK$'000	**Estimated tax losses** HK$'000	**Intangible asset** HK$'000	**Total** HK$'000
At 1 January 2005	(4,494)	4,494	–	–
Credit to consolidated income statement	1,169	2,771	–	3,940
Eliminated on deemed disposal of CRMG	2,549	(2,549)	–	–
At 31 December 2005 and 1 January 2006	(776)	4,716	–	3,940
Deferred tax liabilities on intangible assets arising from acquisition of subsidiaries	–	–	(9,109)	(9,109)
Credit (Charge) to consolidated income statement	1,289	(3,654)	615	(1,750)
At 31 December 2006	**513**	**1,062**	**(8,494)**	**(6,919)**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2006 **HK$'000**	2005 HK$'000
Deferred tax assets	**1,575**	3,940
Deferred tax liabilities	**(8,494)**	–
	(6,919)	3,940

At the balance sheet date, the Group had estimated unused tax losses of HK$459,025,000 (2005: HK$449,585,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$6,069,000 (2005: HK$26,949,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated unused tax losses of HK$452,956,000 (2005: HK$401,756,000) due to the unpredictability of future profit streams.

14. 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 the 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 loss for the year ended 31 December 2005 from discontinued operation is analysed as follows:

	2005 HK$'000
Loss of retailing operation for the year	(10,508)
Loss on deemed disposals of CRMG	(974)
	(11,482)

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

	Period from 1.1.2005 to 23.5.2005 HK$'000
Revenue	374,525
Cost of sales	(248,565)
Other operating, administrative and selling expenses	(124,193)
Depreciation of property and equipment	(10,019)
Finance costs	(2,256)
Loss before taxation	(10,508)
Taxation	–
Loss for the period	(10,508)

During the period from 1 January 2005 to 23 May 2005, CRMG paid HK$33,860,000 in respect of the Group's operating cash flows, paid HK$71,578,000 in respect of investing activities and received HK$104,429,000 in respect of financing activities.

15. EARNINGS (LOSS) PER SHARE

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

	HK$'000
Profit	
Profit for the purpose of basic earnings per share	32,057
Effect of dilutive potential ordinary shares:	
Interest on convertible loan note	274
Decrease in share of profits in CFSG and loss on dilution	(3,488)
Profit for the purpose of diluted earnings per share	28,843
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	463,852,715
Effect of dilutive potential ordinary shares assumed exercise of share options	499,003
Weighted average number of ordinary shares for the purpose of diluted earnings per share	464,351,718

15. EARNINGS (LOSS) PER SHARE (continued)

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 was based on the following data:

	HK$'000
Loss for the purpose of basic and diluted loss per share	(37,022)
Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	437,483,827
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	437,483,827

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares for the relevant period.

Loss per share	
Continuing and discontinued operations	
Basic and diluted loss per share	HK$(0.08)

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 for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the year attributable to equity holders of the Company	(29,506)

Loss per share	
Continuing operations	
Basic and diluted loss per share	HK$(0.06)

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

15. EARNINGS (LOSS) PER SHARE (continued)

From discontinued operation

The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company for the year ended 31 December 2005 was based on the following data:

	HK$'000
Loss for the year attributable to equity holders of the Company	(7,516)
Loss per share	
Discontinued operation	
Basic and diluted loss per share	HK$(0.02)

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

No diluted loss per share amount for the year ended 31 December 2005 was disclosed as the effect of diluting event was insignificant.

16. PROPERTY AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 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 subsidiaries	(33,763)	–	(53,604)	(78,329)	(1,416)	(167,112)
At 31 December 2005 and 1 January 2006	–	–	44,004	60,485	1,840	106,329
Additions	–	–	11,527	16,671	1,568	29,766
Disposals	–	–	(2,636)	(7,079)	–	(9,715)
Arising on acquisition of subsidiaries	31,000	–	27,650	31,234	448	90,332
At 31 December 2006	31,000	–	80,545	101,311	3,856	216,712
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 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 subsidiaries	(17,318)	–	(34,839)	(45,287)	(1,006)	(98,450)
At 31 December 2005 and 1 January 2006	–	–	36,057	56,097	1,373	93,527
Provided for the year	700	–	15,738	8,005	809	25,252
Impairment loss recognised	–	–	4,991	960	–	5,951
Eliminated on disposals	–	–	(661)	(6,107)	–	(6,768)
At 31 December 2006	700	–	56,125	58,955	2,182	117,962
NET BOOK VALUES						
At 31 December 2006	30,300	–	24,420	42,356	1,674	98,750
At 31 December 2005	–	–	7,947	4,388	467	12,802

16. PROPERTY AND EQUIPMENT (continued)

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

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

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

The net book values of motor vehicles included an amount of HK$1,508,000 (2005: HK$389,000) in respect of assets held under finance leases.

During the year, the Directors reassessed the recoverable amount of the property and equipment of certain shops and recognised an impairment loss of approximately HK$5,951,000. The recoverable amounts of the relevant assets have been determined on the basis of their value in use.

17. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**16,793**	–
Analysed for reporting purposes as:		
Current asset (included in prepayments, deposits and other receivables)	**415**	–
Non-current asset	**16,378**	–
	16,793	–

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

18. INVESTMENT PROPERTY

	HK$'000
FAIR VALUE	
At 1 January 2005 and 31 December 2005	–
Acquired on an acquisition of a subsidiary (note 38(iii))	5,000
At 31 December 2006	5,000

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the Group's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out at that date by Knight Frank Hong Kong Limited, independent qualified professional valuer not connected with the Group. Knight Frank Hong Kong Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property shown above comprises land in Hong Kong with medium-term lease.

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments as at 31 December 2006 comprise:

	2006 **HK$'000**	2005 HK$'000
Listed investments:		
Equity securities listed in Hong Kong	**33,392**	–
Unlisted investments:		
Unlisted shares, at cost	**10,800**	10,800
Less: Impairment loss recognised	**(10,800)**	(10,800)
	33,392	–

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.

20. GOODWILL

	HK$'000
COST	
At 1 January 2005	57,199
Deemed disposal of CRMG	(12,871)
Deemed disposal of CFSG	(566)
Transfer of goodwill of CRMG to interest in associate	(26,336)
At 1 January 2006	17,426
Arising on acquisition	195,464
Deemed disposal of CFSG	(863)
At 31 December 2006	212,027

Particulars regarding impairment testing on goodwill are disclosed in note 23.

21. INTERESTS IN ASSOCIATES

	2006 HK$'000	2005 HK$'000
Cost of investments in associates:		
Listed in Hong Kong	**–**	130,598
Unlisted in Hong Kong	**8**	–
Share of post-acquisition losses	**(8)**	(26,728)
	–	103,870
Fair value of listed investments	**N/A**	227,640

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

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

21. INTERESTS IN ASSOCIATES (continued)

During the year ended 31 December 2005, included in the cost of investments in associates is goodwill of HK$23,924,000. 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 14)	26,336
	26,336
Elimination on deemed disposal on 30 December 2005	(2,412)
At 1 January 2006	23,924
Disposal	(23,924)
At 31 December 2006	–

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

	2006 HK$'000	2005 HK$'000
Total assets	**1,776**	952,600
Total liabilities	**(3,318)**	(709,058)
Net (liabilities) assets	**(1,542)**	243,542
Group's share of net assets of associates	**–**	98,878
Revenue	**600**	865,647
Loss for the year	**(1,542)**	(65,838)
Group's share of results of associates for the year	**14,374**	(26,728)

21. INTERESTS IN ASSOCIATES (continued)

The Group has discontinued recognition of its share of losses of the associates. The amounts of unrecognised share of the associates extracted from the management accounts of the associates are as follows:

	2006 **HK$'000**
Unrecognised share of losses of associates for the year	**500**
Accumulated unrecognised share of losses of associates	**500**

At 31 December 2005, the Group held 443,572,587 shares in CRMG, which represented 40.59% of the issued share capital of CRMG as at that date. In February 2006, the Group disposed of 54,545,000 shares in CRMG at a consideration of approximately HK$30 million to two independent third parties. In October 2006, the Group disposed of 294,965,087 shares in CRMG at a consideration of approximately HK$106 million to an independent third party (HK$30 million was received during the year ended 31 December 2006 and the remaining balance of approximately HK$76 million will be settled in April 2007). An aggregate gain of HK$71,100,000 was resulted from the above disposals. After this disposal, the Group held 94,062,500 shares in CRMG (being about 8.61% of the issued share capital of CRMG immediately after the disposal in October 2006) which was classified as available-for-sale investments in the consolidated balance sheet as at 31 December 2006.

22. INTANGIBLE ASSETS

	Trading rights HK$'000	Club membership HK$'000	Others HK$'000	Online game related intellectual property HK$'000	Domain name HK$'000	Trademarks HK$'000	Total HK$'000
COST							
At 1 January 2005 and 31 December 2005	9,092	1,970	199	–	–	–	11,261
Arising on acquisitions of subsidiaries (note 38)	–	–	–	16,390	5,460	38,000	59,850
Additions	–	1,760	–	171	–	–	1,931
Disposal	–	–	(199)	–	–	–	(199)
At 1 January 2006 and 31 December 2006	9,092	3,730	–	16,561	5,460	38,000	72,843
AMORTISATION							
At 1 January 2005, 31 December 2005 and 1 January 2006	–	–	–	–	–	–	–
Charge for the year	–	–	–	4,131	–	–	4,131
At 31 December 2006	–	–	–	4,131	–	–	4,131
NET BOOK VALUES							
At 31 December 2006	9,092	3,730	–	12,430	5,460	38,000	68,712
At 31 December 2005	9,092	1,970	199	–	–	–	11,261

Intangible assets amounting HK$9,092,000 represent trading rights in the exchanges in Hong Kong. Particulars regarding impairment testing on the trading rights are disclosed in note 23.

Intangible assets amounting to HK$3,730,000 represents club memberships.

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. Management of the Group determines that there is no impairment of the club memberships since the recoverable amounts of the club memberships exceed their carrying amounts.

Intangible assets of online game related intellectual property with carrying value of HK$138,000 at 31 December 2006 represented internally generated online game development costs. This intangible asset has definite useful life and is amortised on a straight-line basis over three years.

Intangible assets of online game related intellectual property amounting to HK$12,292,000 at 31 December 2006 represented online game development costs and licensing fee, website development costs and software technology copyrights arising from acquisition of online game business in PRC as mentioned in note 38(i). These intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over four years.

22. INTANGIBLE ASSETS (continued)

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

Intangible assets amounting to HK$5,460,000 represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 38(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by management of the Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite, instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2006 was supported by a valuation carried out at that day by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

Intangible assets of trademarks amounting to HK$38,000,000 represent the perpetual right for the use of the brand name "Pricerite" and "3C" which takes the form of sign, symbol, name, logo design or any combination thereof arising from acquisition of retail business as mentioned in note 38(iii). These trademarks are considered by management of the Group as having an indefinite useful life. Particulars regarding impairment testing on trademarks is disclosed in note 23.

23. IMPAIRMENT TESTINGS ON GOODWILL, TRADING RIGHTS AND TRADEMARKS

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill, trading rights and trademarks set out in notes 20 and 22 respectively have been allocated to the following cash generating units ("CGUs") respectively. The carrying amounts of goodwill, trading rights and trademarks as at 31 December 2006 allocated to these units are as follows:

	Goodwill	**Trading rights**	**Trademarks**
	HK$'000	HK$'000	HK$'000
Financial services	16,563	9,092	–
Online game services	109,945	–	–
Retailing business	85,519	–	38,000
	212,027	9,092	38,000

Goodwill, trading rights and trademarks are considered by management of the Group as having indefinite useful life because they are expected to be used indefinitely. Management of the Group consider cashflow projections which was prepared based on financial budgets covering respective period of goodwill, trading rights and trademarks could determine that there was no impairment of any of its CGUs containing goodwill, trading rights or trademarks as at 31 December 2006.

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

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

23. IMPAIRMENT TESTINGS ON GOODWILL, TRADING RIGHTS AND TRADEMARKS (continued)

The recoverable amounts of the CGUs of retailing business have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 10-year period and discount rate of 16.4%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs. The value in use of trademarks at 31 December 2006 was supported by a valuation carried out at that day by Norton Appraisals Limited, an independent qualified professional valuer not connected with the Group. Based on the valuation report, there is no impairment of trademarks since the recoverable amount of the trademarks exceeds its carrying value.

24. OTHER ASSETS

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

Statutory and other deposits represent deposits with various exchanges and clearing houses.

25. LOAN RECEIVABLES

	2006 **HK$'000**	2005 HK$'000
Fixed-rate loan receivables	**601**	637
Variable-rate loan receivables	**45,900**	76,684
	46,501	77,321
Less: Allowance for bad and doubtful debts	**(26,570)**	(38,136)
	19,931	39,185
Carrying amount analysed for reporting purposes:		
Non-current assets (receivable after one year from the balance sheet date)	**656**	725
Current assets (receivable within one year from the balance sheet date)	**19,275**	38,460
	19,931	39,185

All the loan receivables are denominated in Hong Kong dollars.

25. LOAN RECEIVABLES (continued)

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

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

	2006 **HK$'000**	2005 HK$'000
Within one year	**48**	34
More than one year but not exceeding two years	**48**	34
More than two years but not exceeding five years	**144**	153
More than five years	**361**	416
	601	637

The effective interest rate (which is equal to contractual interest rate) on the Group's fixed rate loan receivables is 2% (2005: 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:

	2006 **HK$'000**	2005 HK$'000
Within one year	**19,227**	38,426
In more than one year but not more than two years	**23**	23
In more than two years but not more than five years	**80**	79
In more than five years	**–**	20
	19,330	38,548

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

26. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

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

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

This acquisition was completed on 10 January 2006.

27. INVENTORIES

	2006 **HK$'000**	2005 HK$'000
Finished goods held for sale	**48,950**	–
Consumables for online game auxiliary products	**674**	–
	49,624	–

28. ACCOUNT RECEIVABLES

	2006 **HK$'000**	2005 HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**125,450**	29,894
Cash clients	**112,334**	94,958
Margin clients	**443,524**	270,707
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**83,847**	70,718
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**3,479**	2,275
Account receivables arising from the business of provision of corporate finance services	**372**	1,032
Account receivables arising from the business of provision of online game services	**12,715**	–
Trade debtors	**460**	–
Other account receivables	**–**	188
	782,181	469,772

28. ACCOUNT RECEIVABLES (continued)

Account receivables are netted off by allowance for bad and doubtful debts of HK$22,549,000 (2005: HK$27,872,000).

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

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

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors of the Company, 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 Mr Kwan Pak Hoo Bankee has a significant beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	**Balance at 31.12.2006** HK$'000	**Balance at 1.1.2006** HK$'000	**Maximum amount outstanding during the year** HK$'000
Cash Guardian Limited ("Cash Guardian")	–	11,569	12,720

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

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

	2006 **HK$'000**	2005 HK$'000
0 – 30 days	**11,160**	2,373
31 – 60 days	**2,409**	436
61 – 90 days	**1,693**	5
Over 90 days	**1,764**	681
	17,026	3,495

29. LISTED INVESTMENTS HELD FOR TRADING

Listed investments held for trading included:

	2006	2005
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**49,325**	35,467

30. DERIVATIVE FINANCIAL INSTRUMENT

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

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

31. BANK DEPOSITS UNDER CONDITIONS

	2006	2005
	HK$'000	HK$'000
Other bank deposits (note (a))	**16,685**	16,207
Pledged bank deposits (note (b))	**61,390**	918
	78,075	17,125

The bank deposits under conditions carry floating interest at prevailing market rate per annum. The effective interest rates on the Group's bank deposits under conditions are also equal to contracted interest rates.

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

(b) The Group's bank deposits of HK$61,390,000 (2005: HK$918,000) are pledged to secure the general banking facilities granted by banks.

32. BANK BALANCES

Bank balances – trust and segregated accounts

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

Bank balances (general accounts) and cash

The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

33. ACCOUNT PAYABLES

	2006	2005
	HK$'000	HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**679,498**	347,961
Margin clients	**106,132**	77,148
Account payables to clients arising from the business of dealing in futures and options	**142,500**	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**2,798**	3,010
Account payables arising from the online game services	**937**	–
Trade creditors	**139,965**	–
Other account payables	**–**	26,400
	1,071,830	581,965

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 of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

33. ACCOUNT PAYABLES (continued)

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 of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

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

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

Trade creditors principally comprise amount outstanding for trade purpose and ongoing costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of trade creditors at the balance sheet date:

	2006 **HK$'000**	2005 HK$'000
0 – 30 days	**57,432**	–
31 – 60 days	**37,468**	–
61 – 90 days	**32,879**	–
Over 90 days	**12,186**	–
	139,965	–

34. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.95% to 6%. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**824**	164	**756**	150
In more than one year but not more than two years	**555**	177	**541**	159
	1,379	341	**1,297**	309
Less: Future finance charges	**(82)**	(32)	**–**	–
Present value of lease obligations	**1,297**	309	**1,297**	309
Less: Amount due for settlement within one year (shown under current liabilities)			**(756)**	(150)
Amount due for settlement after one year			**541**	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.

35. BORROWINGS

	2006 **HK$'000**	2005 HK$'000
Secured bank borrowings:		
Bank overdrafts	**89,347**	29,737
Bank loans	**200,922**	142,000
Trust receipt loans	**74,989**	–
	365,258	171,737
Unsecured other borrowings	**72,208**	79,564
	437,466	251,301

The maturity profile of the above borrowings is as follows:

	2006 **HK$'000**	2005 HK$'000
On demand or within one year	**405,189**	171,737
More than one year but not exceeding two years	**32,277**	–
More than two years but not exceeding five years	**–**	79,564
	437,466	251,301
Less: Amount due within one year shown under current liabilities	**(405,189)**	(171,737)
Amount due after one year	**32,277**	79,564

These borrowings are used to finance the financing business and retail business of the Group.

At 31 December 2006, borrowings of HK$362,837,000 (2005: HK$171,737,000) were secured by:

(a) corporate guarantees from the Company and a subsidiary;

(b) marketable securities of the Group's clients (with client's consent is used to finance the financing business of the Group only);

(c) pledged bank deposits; and

(d) pledge of the Group's certain building and prepared lease payments.

The bank loan amounting to HK$2,421,000 as at 31 December 2006 was guaranteed by a director of a subsidiary, 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

35. BORROWINGS (continued)

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 (2005: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (note 31).

Bank overdrafts amounting to HK$89,347,000 (2005: HK$29,737,000) carry interest at either Hong Kong Interbank Offered Rate ("HIBOR") plus a spread or prime rate plus a spread. Bank loans amounting to HK$188,000,000 (2005: HK$142,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or prime rate plus a spread. In addition, bank loans amounting to HK$2,421,000 and HK$10,501,000 (2005: nil) are at fixed rate of 6% and 5.75% respectively. The fixed-rate borrowing amounting to HK$2,421,000 is denominated in New Taiwan dollars, a currency other than its functional currency of Hong Kong dollars. Trust receipt loans amounting to HK$74,989,000 (2005: nil) carry interest at prime rate plus a spread. The unsecured other borrowings amounting to HK$21,208,000 (2005: HK$79,564,000) carry interest at prime rate plus 3% per annum and the remaining HK$51,000,000 unsecured other borrowing is non-interest bearing and repayable on demand.

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

As at the balance sheet date, the Group had undrawn borrowing facility amounting to HK$1,669,164,000 (2005: HK$677,500,000) with floating rate and expiring within one year.

36. CONVERTIBLE LOAN NOTE

Convertible loan note issued by CFSG

CFSG issued convertible loan note amounting to HK$40,500,000 to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party as at the date of issuance, on 1 September 2004. It bore interest at a rate of 3% per annum and would mature on 31 December 2006 or any other date mutually agreed between CFSG and ARTAR. The holder of the note did 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 was not entitled to vote at general meetings of CFSG. CFSG had 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 was 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 ended 31 December 2005, 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 per share.

36. CONVERTIBLE LOAN NOTE (continued)

Convertible loan note issued by CFSG (continued)

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

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

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

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

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

37. SHARE CAPITAL

	Note	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2005, 31 December 2005 and 31 December 2006		1,000,000	100,000
Issued and fully paid:			
At 1 January 2005 and 31 December 2005		437,484	43,748
Issue of shares due to rights issue	(a)	218,742	21,875
At 31 December 2006		656,226	65,623

Note:

(a) On 17 November 2006, 218,741,913 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.28 per share. These shares rank pari passu in all respects with other shares in issue.

38. ACQUISITION OF SUBSIDIARIES

(i) Netfield Group

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

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
NET ASSETS ACQUIRED:			
Property and equipment	2,615	–	2,615
Prepayments, deposits and other receivables	1,496	–	1,496
Bank balances and cash	2,300	–	2,300
Accrued liabilities and other payables	(6,349)	–	(6,349)
Amount due to a shareholder	(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property	–	16,390	16,390
Deferred tax liabilities	–	(2,459)	(2,459)
	(24,632)	13,931	(10,701)
Amount due to a shareholder assigned to the Group			24,694
Goodwill			102,491
			116,484
SATISFIED BY:			
Deposit paid (note 26)			56,095
Cash			60,389
			116,484
NET CASH OUTFLOW ARISING ON ACQUISITION:			
Cash consideration			(60,389)
Bank balances and cash acquired			2,300
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			(58,089)

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

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

38. ACQUISITION OF SUBSIDIARIES (continued)

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

On 31 July 2006, the Group signed a sale and purchase agreement to acquire 100% of the issued share capital of New Dragon Investments Limited. This acquisition was completed on 15 November 2006. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$7,454,000.

	Acquiree's carrying amount and fair value before combination HK$'000
NET ASSETS ACQUIRED:	
Property and equipment	6,554
Domain name	5,460
Inventories	325
Account receivables	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Account payables	(12,276)
Accrued liabilities and other payables	(11,378)
Obligations under finance lease	(170)
Amount due to shareholder	(5,014)
	1,421
Minority interests	(2,389)
Amount due to shareholder assigned to the Group	5,014
Goodwill	7,454
Cash payment (include related costs of the acquisition)	11,500
SATISFIED BY:	
Cash	9,000
Related costs of the acquisition	2,500
	11,500
NET CASH OUTFLOW ARISING ON ACQUISITION:	
Total cash payment	(11,500)
Bank balances and cash acquired	5,182
	(6,318)

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

Acquisition of the New Dragon Group contributed approximately HK$11,726,000 to the Group's revenue and HK$61,000 to the Group's profit for the period since acquisition to 31 December 2006.

38. ACQUISITION OF SUBSIDIARIES (continued)

(iii) CASH Retail Management (HK) Limited and its subsidiaries ("Retail Group")

On 20 February 2006, the Group signed a sale and purchase agreement to acquire 100% of the issued share capital of CASH Retail Management (HK) Limited. This acquisition was completed on 30 June 2006. Prior to the acquisition, the Group indirectly held 35.61% equity interest of Retail Group through CRMG. Following the acquisition, the Retail Group has become a wholly-owned subsidiary of the Company. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were approximately HK$69,955,000 and HK$38,000,000 respectively.

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
NET ASSETS ACQUIRED:			
Property and equipment	81,163	–	81,163
Prepaid lease payment	4,643	12,357	17,000
Investment property	5,000	–	5,000
Inventories	62,267	–	62,267
Account receivables	1,746	–	1,746
Other receivables, deposits and prepayments	47,218	–	47,218
Listed investments held for trading	2,133	–	2,133
Pledged bank deposits	44,400	–	44,400
Bank balances and cash	50,354	–	50,354
Account payables	(146,538)	–	(146,538)
Accrued liabilities and other payables	(37,718)	–	(37,718)
Taxation payable	(200)	–	(200)
Bank borrowings	(64,007)	–	(64,007)
Intangible assets in relation to trademarks	–	38,000	38,000
Deferred tax liabilities	–	(6,650)	(6,650)
	50,461	43,707	94,168
The Group's share of net assets of the Retail Group at 30 June 2006			(17,969)
Fair value adjustment attributable to the Group's 35.61% interest in the Retail Group credited to revaluation reserve			(15,564)
Goodwill			69,955
Consideration			130,590
SATISFIED BY:			
Cash (note)			130,590
NET CASH INFLOW ARISING ON ACQUISITION:			
Cash paid			(30,000)
Bank balances and cash acquired			50,354
			20,354

Note: The final consideration for this acquisition was HK$130,590,000. HK$30,000,000 was settled by cash payment during the year and the remaining balance of HK$100,590,000 will be settled on or before 30 June 2007.

38. ACQUISITION OF SUBSIDIARIES (continued)

(iii) CASH Retail Management (HK) Limited and its subsidiaries ("Retail Group") (continued)

The goodwill arising on acquisition is attributable to the anticipated profitability of the retail business in Hong Kong.

Acquisition of the Retail Group contributed approximately HK$433,272,000 to the Group's revenue, and HK$25,898,000 loss to the Group's result for the period since acquisition to 31 December 2006.

If the acquisition discussed in (i) to (iii) above had been completed on 1 January 2006, the Group's total revenue for the year would have been approximately HK$1,258,428,000, and loss for the year would have been approximately HK$33,506,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

39. MAJOR NON-CASH TRANSACTIONS

(a) Pursuant to the 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 utilised approximately HK$5,393,000 (2005: nil) advertising and telecommunication services.

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

40. CONTINGENT LIABILITIES

Company and subsidiaries

(a) In 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors of the Company confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors of the Company do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 31 December 2006 and 2005. Accordingly, no provision was made in the financial statements.

(b) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California in the United States of America 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 (equivalent to approximately HK$7,020,000) arising out of an employment contract between ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the Directors, the potential liability arisen is remote.

(c) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

(d) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited ("CISI"), a non-wholly-owned subsidiary of the Company, for an amount of HK$1,662,598. The nature of claim is a winding-up petition. A winding-up order was made by the court, the liquidator has been appointed, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors of the Company is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

41. OPERATING LEASE COMMITMENTS

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

	2006	2005
	HK$'000	HK$'000
Within one year	**109,574**	16,643
In the second to fifth year inclusive	**92,386**	20,901
Over five years	**756**	–
	202,716	37,544

Operating lease payments represent rental payable 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 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 when the sales meets certain specified level.

42. SHARE OPTION SCHEMES

(A) Share option scheme of the Company

The Company's share option scheme ("Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002. The major terms of the Share 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"); or

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

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

(iii) The maximum number of shares in respect of which share options might be granted under the Share Option Scheme must not exceeded 10% of the issued share capital of the Company as at the date of approval of the Share Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 43,748,382 shares, representing 6.7% 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 share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

42. SHARE OPTION SCHEMES (continued)

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

(iv) The maximum number of shares in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the share options cancelled) under any share option granted to the same participant under the Share 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 share option for a certain period before exercising the share option save as determined by the Board of Directors and provided in the offer of grant of share 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 share option period should not go beyond 10 years from the date of offer for grant.

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

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

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

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

42. SHARE OPTION SCHEMES (continued)

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

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

				Number of share options				
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	outstanding as at 1.1.2005	lapsed in 2005 (Note (1))	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006 (Note (2))	outstanding as at 31.12.2006
Directors								
Share Option Scheme	2.12.2003	0.502	2.12.2003 – 30.11.2005	15,000,000	(15,000,000)	–	–	–
	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	–	–	16,000,000	16,000,000
				15,000,000	(15,000,000)	–	16,000,000	16,000,000
Employees								
Share Option Scheme	13.11.2006	0.323	13.11.2006 – 12.11.2008	–	–	–	16,000,000	16,000,000
				15,000,000	(15,000,000)	–	32,000,000	32,000,000

Notes:

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

(2) The closing price of the share immediately before the date of grant on 13 November 2006 was HK0.330. The share options are fully vested on the grant date.

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

The exercise in full of the outstanding 32,000,000 share options at 31 December 2006 would, under the present capital structure of the Company, result in the issue of 32,000,000 additional shares of the Company for a total cash consideration, before expenses, of approximately HK$10,336,000.

During the year ended 31 December 2006, share options were granted on 13 November 2006 and are fully vested on the same date. The estimated fair value of the options granted on that date was HK$422,000.

42. SHARE OPTION SCHEMES (continued)

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

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

Weighted average share price	HK$0.330
Exercise price	HK$0.323
Expected volatility	67%
Expected life	2 years
Risk-free rate	4.59%
Expected dividend yield	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 trading days.

The Group recognised the total expenses of approximately HK$422,000 (2005: nil) for the year ended 31 December 2006 in relation to share options granted by the Company.

(B) Share option scheme of CFSG

The CFSG's share option scheme ("CFSG Share Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the CFSG Share 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; or
- attract potential candidates to serve the Group for the benefit of the development of the Group.

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

(iii) The maximum number of shares in respect of which share options might be granted under the CFSG Share Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG Share 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 share options granted and yet to be exercised under the CFSG Share Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

42. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CFSG (continued)

(iv) The maximum number of shares in respect of which share 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 share option granted to the same participant under the CFSG Share 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 share option for a certain period before exercising the share option save as determined by the Board of Directors of CFSG and provided in the offer of grant of share option.

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

(vii) The acceptance of a share 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 a share option must be the highest of:

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

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

42. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	Number of share options: outstanding as at 1.1.2005	granted in 2005 (Note (4))	exercised in 2005 (Note (3))	lapsed in 2005 (Note (6))	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006 (Note (5))	lapsed in 2006 (Note (6))	exercised in 2006 (Note (3))	outstanding as at 31.12.2006
Directors													
CFSG Share Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005	(1)	22,295,000	–	–	(22,295,000)	–	–	–	–	–
	6.10.2005	0.380	6.10.2005-31.10.2006		–	38,700,000	–	–	38,700,000	–	(38,700,000)	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	–	–	–	–	31,800,000	–	–	31,800,000
					22,295,000	38,700,000	–	(22,295,000)	38,700,000	31,800,000	(38,700,000)	–	31,800,000
Employees													
CFSG Share Option Scheme	2.12.2003	0.340	1.6.2004-31.5.2006	(1)	21,190,000	–	(13,325,000)	(2,795,000)	5,070,000	–	(3,900,000)	(1,170,000)	–
	6.10.2005	0.380	6.10.2005-31.10.2006		–	36,300,000	–	–	36,300,000	–	(36,300,000)	–	–
	7.7.2006	0.296	7.7.2006-31.7.2008		–	–	–	–	–	69,500,000	–	(1,000,000)	68,500,000
	7.7.2006	0.296	7.7.2006-31.7.2010		–	–	–	–	–	6,000,000	–	–	6,000,000
					21,190,000	36,300,000	(13,325,000)	(2,795,000)	41,370,000	75,500,000	(40,200,000)	(2,170,000)	74,500,000
					43,485,000	75,000,000	(13,325,000)	(25,090,000)	80,070,000	107,300,000	(78,900,000)	(2,170,000)	106,300,000

Notes:

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

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

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

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

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

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

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

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

(7) No share option was cancelled during the year.

42. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

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

The Group recognised the total expenses of approximately HK$1,613,000 (2005: HK$203,000) for the year ended 31 December 2006 in relation to share options granted by CFSG.

43. RETIREMENT BENEFITS SCHEMES

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

The employer's contributions to the MPF Schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$5,455,000 (2005: HK$5,456,000) and HK$340,000 (2005: HK$945,000) respectively for the year ended 31 December 2006.

During the year ended 31 December 2006, the Group acquired a subsidiary in Taiwan. The subsidiary operates pension plan under the Labor Pension Act ("Act"). The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. During the year ended 31 December 2006, the Group recognised pension costs of HK$88,000 (2005: nil).

The Group operates various benefits schemes for its full-time employees in PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively. During the year ended 31 December 2006, the Group recognised contribution to the aforesaid benefits schemes of HK$1,086,000 (2005: nil).

44. COMMITMENTS

Capital commitments

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

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

45. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties:

(a) During the year, the Group received interest from margin financing of approximately HK$1,199,000 (2005: HK$928,000) from Cash Guardian, in which Kwan Pak Hoo Bankee, a Director of the Company has a controlling interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(b) During the year ended 31 December 2006, the Group acquired the Retail Group from CRMG at a total consideration of HK$130,590,000. Details of the acquisition are set out in note 38(iii).

(c) During both years, compensation of key management personnel represented Director's remuneration which is disclosed in note 10. The Director's remuneration is determinated by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

(d) As at 31 December 2006, amount due from an entity, in which Kwan Pak Hoo Bankee has significant beneficial interest and is a Director, was nil (2005: HK$11,569,000). Details are set out in note 28.

46. POST BALANCE SHEET EVENTS

(a) Subsequent to 31 December 2006, the Group announced a connected and major transaction on 9 January 2007 for the proposed acquisition of the entire interest in Netfield Technology Limited from CFSG at a consideration ("Consideration") of the higher of HK$120 million or the valuation of the online game business operated by Netfield Technology Limited as at 31 December 2006. The Consideration was finally fixed at HK$120 million. The transaction will be subject to the approval of the independent shareholders of the Company at a special general meeting to be held on 23 April 2007.

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

(b) On 6 March 2007 and 12 March 2007, the Group disposed of 50,000,000 shares in CRMG (being approximately 4.19% of the then entire issued share capital of CRMG) and 44,062,500 shares in CRMG (being approximately 3.7% of the then entire issued share capital of CRMG) at a consideration of approximately HK$10.5 million and HK$9.3 million respectively to two independent third parties. The disposals will result in a loss of approximately HK$13.7 million before recognition of the cumulative fair value gain of approximately HK$14.1 million on available-for-sale investments, which was previously recognised in investment revaluation reserve. Investment revaluation reserve of HK$14.1 million will be recognised as income as a result of the aforesaid disposals of CRMG's shares. After the disposals, the Group did not hold any shareholding interest in CRMG.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CFSG	Bermuda	HK$138,205,144	51.1*	46.22	Investment holding
CASH Asset Management Limited	Hong Kong	HK$200,000	51.1	46.22	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK$4,000,000	51.1	46.22	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK$2	51.1	46.22	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK$27,000,000	51.1	46.22	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK$10,000,000	51.1	46.22	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK$10,000,000	51.1	46.22	Money lending
Celestial Securities Limited	Hong Kong	HK$140,000,000	51.1	46.22	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US$1	51.1	46.22	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	HK$1,000,000	35.77**	32.35	Financial advisory consultancy

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

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	26.06***	23.57	Online game operator
摩力游(上海)信息科技有限公司# (translated as MOLI China Information Technology Limited)	PRC	US$3,000,000	51.1	46.22	Online game developer
上海摩力游數字娛樂有限公司## (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	51.1	46.22	Online game operator
3C Digital Limited	Hong Kong	HK$100	60	60	Retailing of digital products and electrical appliances
3C Electrical Appliances Limited	Hong Kong	HK$1	60	60	Retailing of electrical appliances
E-Tailer Holding Limited	British Virgin Islands	US$1	100	100	Trading of securities
Lifeztore (HK) Limited	Hong Kong	HK$1	100	100	Retailing of furniture and household goods
Pricerite Stores Limited	Hong Kong	HK$200,000,000	100	100	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	HK$2	100	100	Retailing of furniture and household goods through corporate sales

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

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of voting power held by the Company	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Wealthy View Investment Limited	British Virgin Islands	US$10	100	100	Investment holding
Richwell Target Limited	Hong Kong	HK$2	100	100	Property holding
生活經艷(上海)商貿有限公司# (translated at Lifeztore (Shanghai) Limited)	PRC	HK$5,000,000	100	100	Retailing of furniture and household goods

* The Group holds a 46.22% equity interest in CFSG through CIGL. Cash Guardian, a company in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is also a Director, holds 2.93% equity interest in CFSG. Cash Guardian has agreed that it will cast all votes at all shareholder's meeting of CFSG, in accordance with the voting decision of the Company at all times. Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth, Directors of the Company, who have 1.25% and 0.71% equity interest and voting power respectively in CFSG, have agreed that they will not vote against the voting decision of the Company at all times. As a result, the Group is able to control the voting power at all the general meetings of CFSG. Accordingly, CFSG is accounted for a subsidiary of the Company.

** The Group holds a 32.35% effective interest in CASH Frederick Taylor and controls a 70.00% of voting power at general meetings of CASH Frederick Taylor through the 51.1% of voting power interest in CFSG.

*** The Group holds a 23.57% effective interest in 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company) and controls a 51% of voting power at general meetings of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company) through the 51.1% of voting power interest in CFSG.

\# Wholly-owned foreign enterprise established in PRC.

\#\# Domestic enterprise with limited liabilities established in PRC.

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.