CASH Financial Services Group Limited

(Stock Code #8122)

Annual Report 2005

CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

Characteristics of the growth enterprise market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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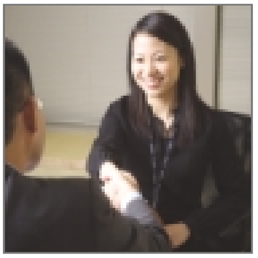
Corporate Profile

CASH Financial Services Group Limited ("CFSG") is a leading financial services conglomerate that has been servicing clients in Hong Kong for more than thirty years. Through a well-developed securities and commodities brokerage infrastructure, complemented by a fast-growing wealth management division, we offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs of our clients in Hong Kong and within the Greater China Region. Our fully-fledged investment banking group services regional corporations on a broad range of corporate finance and financial advisory matters. The newly established asset management division provides value-added asset management services for our corporate and individual clients to achieve the highest risk-adjusted returns in the fast changing investment environment.

As a fully-fledged financial institution, CFSG offers a comprehensive range of financial services, including dealing in Securities (HK, US and China B-shares), Futures and Options, Mutual Funds, Bonds, Equity Linked Notes (ELN) and Principal Guaranteed Notes (PGN), Insurance Products, Personal Financial Planning and Advisory Services, Asset Management, Investment Banking Services, Research and Market Analysis.

As we are committed to be the financial services house of choice for our clients, a wide array of products and services are available to meet different investment objectives and financial goals. Backed by our financial strength, continuous innovations, professional management and a technologically advanced infrastructure, CFSG hinges success on the provision of financial products and services that are of the highest possible standards.



Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	*(Chairman)*
LAW Ping Wah Bernard	*(CFO)*
WONG Kin Yick Kenneth	*(CEO)*
CHENG Man Pan Ben	*(COO)*

Independent Non-executive:
CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
LO Kwok Hung John

AUDIT COMMITTEE

CHENG Shu Shing Raymond *(chairman)*
HUI Ka Wah Ronnie
LO Kwok Hung John

REMUNERATION COMMITTEE

CHENG Shu Shing Raymond *(chairman)*
HUI Ka Wah Ronnie
KWAN Pak Hoo Bankee

QUALIFIED ACCOUNTANT

WONG Hon Ming Wallace, *CPA*

COMPLIANCE OFFICER

CHENG Man Pan Ben, *CPA*

COMPANY SECRETARY

LUKE Wing Sheung Suzanne, *FCIS*

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

SOLICITORS

Sidley Austin Brown & Wood
Richards Butler

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21/F The Center
99 Queen's Road Central
Hong Kong

REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Standard Registrars Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CONTACTS

Telephone	:	(852) 2287 8788
Facsimile	:	(852) 2287 8700
Website	:	www.cfsg.com.hk

Financial Review

For the year ended 31 December 2005, the Group recorded a net profit attributable to shareholders of HK$26.6 million as compared to HK$20.4 million in the previous year. The increase was mainly attributable to an improved performance of the securities trading portfolio, and a decrease in depreciation and amortisation charges resulting from the adoption of the new financial reporting standards in the year under review.

The Group recorded a decrease in revenue to HK$213.6 million for the year ended 31 December 2005, as compared to HK$240.0 million in last year. The decrease was in part a reflection of a directionless market environment throughout the first half of the year under review and in part a result of a change in accounting treatment for brokerage commission de-regulation, especially in Hong Kong domestic securities market rebate for the current year. After the abolition of the minimum commission requirement, a significant portion of our commission revenue has been changed from a gross to a net basis. While this has technically reduced the revenue of the year, it had virtually no impact on its net profit. The brokerage revenue in the second half of the year began to pick up albeit at a much slower pace when the expectation that the US Federal Reserve would soon end its cycle of rising interest rates had greatly improved the sentiment of the securities market in the region.

The Group's total equity amounted to HK$358.1 million on 31 December 2005 as compared to HK$240.3 million at the end of the previous year. The net increase was due to the growth in retained earnings and new funds raised to strengthen capital bases during the second half of the year.

On 31 December 2005, our cash and bank balances including trust and segregated accounts totaled HK$487.5 million as compared to HK$521.4 million at the end of the previous year. The reduction in cash and bank balances was a result of a decrease in clients' deposits as they became more active in trading near year-end. On the other hand, our house funding rose as a result of several fund raising activities near year-end. The liquidity ratio on 31 December 2005 remained healthy at 1.3 times, being virtually unchanged from 31 December 2004. Given the strong funding requirements of the business and the expectation that the market will remain robust in the coming year, we believe it is in the best interest of the shareholders that we retain and reinvest the corporate funds back into the operations.

Financial Review

Our total bank borrowings on 31 December 2005 were HK$171.7 million, which were drawn to fund securities margin financing to our clients. Most of these bank borrowings were collateralised by our margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Apart from these, largely back-to-back advances, we had no other bank borrowings at the end of the year as we exercised prudence to ensure that our financial resources would not be in any way strained.

During the year, the Group made several early partial repayments of a convertible loan note in an amount totalling HK$10.0 million, thereby reducing the outstanding nominal value of the convertible loan note to HK$30.5 million at the end of the year. Together with this convertible loan note, the ratio for our interest bearing borrowings to total equity was 56.4% on 31 December 2005 as compared to 56.6% on 31 December 2004. Insofar as that the convertible loan note, which accounted for approximately 8.4% of the total equity, matures on 31 December 2006, as well as the bank borrowings being of a back-to-back nature, our gearing was kept at a conservatively low level.

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

In September 2005, the Group announced a major transaction for the proposed acquisition of Netfield Technology Limited and its subsidiaries ("Netfield Group") for a consideration of HK$110.0 million ("Acquisition") and several fund raising activities. The Netfield Group is an on-line game developer and operator in China. These transactions were approved by the shareholders at the special general meeting of the Company held on 20 December 2005 and all had been completed subsequent to the balance sheet date in January 2006. The placing of 145 million shares in the Company held by a controlling shareholder to independent third parties at HK$0.40 each was completed on 23 September 2005. The corresponding top up of 145 million new shares in the Company to the controlling shareholder was then completed on 5 October 2005. The placing of 155 million shares in the Company to various independent third parties at HK$0.40 each and the subscription of 120 million shares in the Company by the controlling shareholder at HK$0.40 each were completed subsequent to the balance sheet date on 10 January 2006. The total gross proceeds of HK$168.0 million were raised, of which HK$110.0 million was used for settling the consideration for the Acquisition, approximately HK$30.0 million was put into the operating capital of the Netfield Group, and the balance of approximately HK$28.0 million was used as the general working capital of the Group.

Financial Review

On 15 September 2005, 132 million shares at a subscription price of HK$0.27 per share were issued to the controlling shareholder, raising a total of gross proceeds of HK$35.6 million. The proceeds were used as the general working capital of the Group.

As at 31 December 2005, the Group was holding a portfolio of listed investments with market value of approximately HK$42.5 million and a loss on such listed investments of HK$3.3 million was recorded for the year.

Save as disclosed above, the Group did not make any material acquisitions or disposals nor did we hold any significant investment during the year ended 31 December 2005. Save as the balance of the consideration of HK$55.0 million to be paid for the Acquisition, the Group did not have any material capital commitment as at 31 December 2005. The balance had been fully paid in January 2006 upon completion of the Acquisition. We do not have any future plans for material investments or capital assets.

Bankee P KWAN
Chairman

Management Discussion and Analysis

REVIEW AND OUTLOOK

Industry Review

The positive global economic and equity market cycles experienced in 2004 were extended into 2005. Economic activity was firm or improving in most regions throughout 2005. In the capital markets, subdued inflationary pressure and good corporate earnings growth helped support broad-based rallies in most stock markets globally, despite concerns over rising oil prices and US interest rate hikes.

On the domestic front, the Hong Kong economy exhibited a year of resilient growth amid external challenges. Macro-tightening in Mainland China, rising oil prices, and successive interest rate hikes in the US seemed to have little impact on the SAR's economy. The employment market continued to have improved and GDP is expected to have grown 7.3% in 2005. Inflation remained benign despite record prices of crude oil and commodities. The property market appeared to hold strength on the back of rising mortgage rates. The opening of Disney Hong Kong marked another milestone for Hong Kong to branch out into a tourist centre. While the growth of tourists from Mainland China fell short of expectations, inbound tourism remained robust.

By contrast, the Hong Kong stock market was lackluster. With a yearly high of 15,508 and a low of 13,320, the Hang Seng Index traded in the narrowest range of 16.4% since 1978. Concerns over rising interest rates caused Hong Kong to end the year with a mere 4.5% appreciation, one of the worst-performing markets globally.

Business Review

Throughout 2005, we have stated, as a key component of our development strategy, the diversification of product offerings and revenue sources both with a view to better service our clients as well as to minimise the impact on business performance by market cycles. We remained on course on the strategy as we continue our pursuit of establishing ourselves as the financial services house of the choice for our clients.

During the first half of the year when the domestic market was pedestrian, we focused our resources to upgrade the operating and trading systems to prepare for market upturn and future expansion.

BOARD OF DIRECTORS

(Left to right)

LAW Ping Wah Bernard	*CFO*
KWAN Pak Hoo Bankee	*Chairman*
WONG Kin Yick Kenneth	*CEO*
CHENG Man Pan Ben	*COO*

Management Discussion and Analysis

While continuing to strengthen our pillar businesses in brokerage, wealth management, and investment banking, we launched our asset management service in June to capture opportunities inherent in the high-net-worth market, and to complement our strategy of providing a full suite of services to our clients. This newly added service has allowed us to continue to expand our customer base and to further leverage on the cross-selling synergy within the Group.

At the same time, our efforts to diversify our income stream through wealth management initiatives and expanded investment banking activities continued to be rewarding. Income from wealth management and investment banking as a percent of the total revenue continued to rise.

While we continue to grow our income from the relatively mature brokerage business, we concurrently look for new opportunities in business sectors with high-growth potential. In September, we announced our plan to enter the online game industry by acquiring Netfield Group. This new strategic acquisition will allow us to enhance shareholders' value by participating in the high-growth online business in China.

As a technology leader and a client-focused service provider, we constantly review and upgrade our system to ensure compatibility and its ease of use. In 2005, we implemented a series of system enhancements of the online trading platform. The new platform will not only enable us to better serve our existing self-served, technology-savvy clients, but also place us in an advantageous position to compete in the premium mass-market segment.

Our core brokerage business continued to show steady and healthy growth during the year. The division grew its sales team by double-digit as part of the expansion strategy. The new strategic direction is to focus on the high turnover business as a way to compensate for the impact of reduced commission on the industry.

The wealth management business continued to report strong growth in both headcount and revenue during the year. Taking advantage of RMB revaluation pressure and high growth potential in China's property market, the division introduced a property investment vehicle to clients as part of the product enrichment and diversification initiatives. The new investment tool was well received by clients and has also attracted attention of prospective investors.

Management Discussion and Analysis

In investment banking, we continued to take steps to ensure that we are competitively positioned to provide medium-sized corporate clients with a full scope of services including corporate finance, financial advisory, underwriting, and financial re-engineering. During the year, the investment banking division was very active in broadening and deepening client relationships and has recently entered into agreements with a few PRC corporations to sponsor their listings in 2006.

In an effort to raise our international recognition, we brought in a new strategic investor, AvW Invest AG, an Austrian company listed in Vienna. The new alliance will assist us in making inroads into the European market and exploring cross-selling opportunities in Asia and Europe. Together with the Saudi Arabian investment partner ARTAR Group, this new alliance has broadened our shareholding base that now extends from Asia and Middle East to Europe.

Outlook

In addition to the core brokerage business, the fast-growing wealth management business will remain as an integral part of our focused strategy to diversify our income streams. With a high savings rate and a relatively low penetration of wealth management services in Hong Kong and Mainland China, growth opportunity in wealth management is enormous. While competition continues to be intensifying, we are confident that we have established ourselves as a solid player in the industry through strong brand recognition, professional sales team, and ability to provide a wide array of financial products and services.

The newly launched asset management service will complement the wealth management needs of the high-net-worth clients, broaden client base, and attract new prospects. More importantly, it will serve as a new source to the more stable fee-based income pool.

On the investment banking front, we expect to see fund-raising and financial advisory activities continue to grow in the PRC. An increasing number of state-owned and private-sector enterprises in Mainland China have expressed interest to raise funds abroad and Hong Kong becomes the preferred destination for international capital-raising. This tendency is further fueled by the unsatisfactory performance of the recent A-share reform, which seems to have failed to revive the sluggish A-share market. As such, a number of the upcoming IPOs will likely abandon the original A-H dual listing plan and list solely on the Hong Kong Stock Exchange. With a focus on medium-sized enterprises in Mainland China, our investment banking group has gained good presence in recent years and is well-positioned to seize opportunities as they arise.

Looking ahead into 2006, our focus is to increase turnover, increase market share, and expand client base through repositioning the brokerage strategy, enhancing online platform capability, strengthening cross-selling synergies within the Group, and expanding product offerings. With our commitment to excellence, dedication to servicing clients, and determination to create customer and shareholder value, we are confident that we will become the financial services house of choice for our clients through value-added services and enhanced client experience.

Employee Information

At 31 December 2005, the Group had 209 employees. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$50.6 million. We continue to organise training for employees in areas such as product knowledge, customer service, selling techniques, problem solving, team building, communication, presentation, coaching, mentoring and continuous professional training programmes required by regulatory bodies. Meanwhile, we are also liaising with external consultants to conduct team building training program.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 46, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Group at its establishment. He is in charge of the Group's strategic business development and executive management. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group and Celestial Asia Securities Holdings Limited ("CASH"), he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary member of the Board of Trustees of Nanjing University, PRC, an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, and an advisory professor of Nanjing University, PRC. Mr Kwan is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, the chairman of the Hong Kong Retail Management Association, a member of Central Policy Unit, The Government of the Hong Kong SAR, an advisor of Quality Tourism Services Association, a general committee member of Hong Kong Brand Development Council and an honorary advisor of CEPA Business Opportunities Development Alliance. Mr Kwan is also the substantial shareholder of the Company and the chairman of CASH and CASH Retail Management Group Limited ("CRMG"). Mr Kwan is also a member of the Remuneration Committee of the Company as well as members of the remuneration committee of CASH and CRMG.

Bernard Ping-wah LAW

CFO, 47, MBA, FCCA, FCPA, MHKSI

Mr Bernard Law joined the Group at its establishment. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Before joining the Group and CASH, he served as finance director and group financial controller of several Hong Kong listed companies and corporations. Mr Law is also the CFO of CASH and CRMG.

Directors' Profile

Kenneth Kin-yick WONG

CEO, 48, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000. He is in charge of the Group's business development and business management. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking. Mr Wong is also a deputy CEO of CASH in charge of its business development in the Greater China region.

Ben Man-pan CHENG

COO, 36, BA, FCCA, CPA

Mr Ben Cheng joined the Group at its establishment and was appointed to the Board on 7 June 2004. He acts as the head of operation of the Group. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Before joining the Group and CASH, he assumed senior financial executive positions in several Hong Kong listed companies and corporations and in the fields of finance and audit. Mr Cheng is also the compliance officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

Independent Non-executive Director, 50

Mr Raymond Cheng joined the Independent Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. Mr Cheng is also a member of The Watch and Clock Advisory Committee of HK Trade Development Council and an advisor of The Federation of Hong Kong Watch Trades and Industries Limited. Mr Cheng is also the chairman of the Audit Committee and the Remuneration Committee of the Company.

Ronnie Ka-wah HUI

Independent Non-executive Director, 42, MBBS, MRCP, DCH, FHKAM, FHKCP, CFA

Dr Ronnie Hui joined the Independent Board on 3 November 2004. Dr Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. He is a CFA charterholder and is currently the head of corporate investment of a listed company in Hong Kong. Dr Hui is also a member of Committee on Social Development & Quality of Life, Commission on Strategic Development, HK SAR Government. Dr Hui is a member of the Audit Committee and the Remuneration Committee of the Company.

John Kwok-hung LO

Independent Non-executive Director, 47, MBA, FCCA, LL.B

Mr John Lo joined the Independent Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. Mr Lo is also a member of the Audit Committee of the Company.

Corporate Governance Report

This corporate governance report ("CG Report") presents the corporate governance matters during the period covering the financial period ended 31 December 2005 and up to the date of the Annual Report to which this CG Report is inscribed ("CG Period") required to be disclosed under the Rules Governing the Listing of the Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

ADOPTION OF CORPORATE GOVERNANCE PRINCIPLES

On 1 June 2005 ("Adoption Date"), the Board adopted a set of corporate governance principles ("Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Securities Code") contained in the GEM Listing Rules. The Board had also in writing made specific enquiry to each Director in respect of the due compliance of the rules and principles relevant to the Securities Code. During the CG Period, the Principles had been duly complied with except for the deviations summarised as follows:

CG Code		Deviation
Before the Adoption Date		
A.4.1	Non-executive directors should be appointed for a specific term, subject to re-election	• Before the Adoption Date, all the Independent Non-executive Directors ("INED(s)") were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws. • With effect from or before the Adoption Date, the term of office for each then INED had been fixed for one year commencing retrospectively from the date of the 2005 annual general meeting of the Company until the next annual general meeting of the Company, at which all of them shall retire, but be eligible for re-election.

CG Code		Deviation
Before the Adoption Date		
A.4.2	Every director should be subject to retirement by rotation at least once every 3 years	• Before the Adoption Date, there were no fixed terms for all the Directors to retire at annual general meeting of the Company and the Chairman of the Board was not subject to retirement at annual general meeting of the Company in each year. • With effect from or before the Adoption Date, all Executive Directors ("ED(s)") or Non-executive Directors ("NED(s)"), including the Chairman of the Board, shall retire, but be eligible for re-election, at least once in every 3 financial years at annual general meeting of the Company.
A.6.1	Agenda and the board papers should be despatched at least 3 days before the meeting	• Before the Adoption Date, the Audit Committee papers and the Board papers might not have been sent at least 3 days before the Audit Committee meetings and the Board meetings for approving the financial results. • Since the Adoption Date, the terms in relation to the despatch of the Audit Committee papers and the Board papers under the Principles had not been violated.
B.1.1	A remuneration committee should be set up with majority members to be INEDs	• Before the Adoption Date, the Company had not set up a Remuneration Committee. • Since the Adoption Date, the Company has maintained a Remuneration Committee with specific written terms of reference comprising 2 INEDs and an ED.

CG Code	Deviation
After the Adoption Date	
A.3 At least 3 INEDs	• During the period from 12 September 2005 to 27 September 2005, the Company has maintained only 2 INEDs which was resulted from the resignation of a resigning INED and before the appointment of the new INED taking effect upon the prior approval from the Stock Exchange.

Save for the above, the Company has been in compliance with the CG Code and the Securities Code throughout the CG Period.

BOARD OF DIRECTORS

During the CG Period, the Board had held the following number of physical meetings of the Directors:

- 6 meetings of the full Board
- 8 meetings of the EDs

Out of the 6 full Board meetings, 5 of them were held to discuss and/or approve the annual/quarterly financial performance/results of the Group while 1 meeting(s) to discuss and approve a connected transaction of the Company which arose during the CG Period. The ED meetings were held to report, discuss and/or resolve for the ordinary business and operation matters, and the corporate movements and decisions.

During the CG Period, the composition of the Board, and the respective attendances of the Directors at the above Directors' meetings are presented as follows:

Director	Board capacity	Appointment/ Resignation during the CG Period	Attendance Full Board meetings	Attendance ED meetings
Mr Kwan Pak Hoo Bankee	ED & Chairman		4/6	8/8
Mr Law Ping Wah Bernard	ED & CFO		6/6	8/8
Mr Wong Kin Yick Kenneth	ED & CEO		5/6	8/8
Mr Cheng Man Pan Ben	ED & COO		6/6	8/8
Ms Kwok Oi Kuen Joan Elmond	ED	resigned on 17 March 2006	6/6	8/8
Mr Cheng Shu Shing Raymond	INED		4/6	N/A
Dr Hui Ka Wah Ronnie	INED		6/6	N/A
Mr Lo Kwok Hung John	INED	appointed on 27 September 2005	1/3	N/A
Mr Wong Kwong Chi Simon	INED	resigned on 12 September 2005	3/3	N/A

During the CG Period, none of the Directors above has or maintained any financial, business, family or other material/relevant relationship with any of the other Directors.

The terms of the appointments of the EDs and the INEDs were governed by the respective employment or service contracts while the appointments of the directorship were subject to, as to EDs, retirement, rotation and re-election at least once every 3 financial years and, as to INEDs, retirement and re-election every year, all at annual general meetings of the Company.

REMUNERATION COMMITTEE

Since the Adoption Date, the Company had maintained a Remuneration Committee. The role and function of the Remuneration Committee includes:

- recommendation to the Board on the remuneration policy for the Directors;
- review of, approval of and recommendation for (if any) the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable;
- review and approval of performance-based remuneration of each Director (if any) by reference to achievement goals and objectives set by the Board;
- review and approval of the compensation payment to any Director upon his/her cessation of directorship in or employment with the Company; and
- engagement of external professional advisors to assist and/or advise the Remuneration Committee on its duties when necessary and reasonable.

Terms of reference of the Remuneration Committee had been compiled since the establishment of the Remuneration Committee and were endorsed and adopted by the Remuneration Committee. The most updated version of the terms of reference of the Remuneration Committee has been posted onto the corporate website of the Company since the Adoption Date.

During the CG Period, the Remuneration Committee had held 1 physical meeting for the purpose of considering the remuneration of the Directors.

The composition of the Remuneration Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr Cheng Shu Shing Raymond	INED	1/1
Dr Hui Ka Wah Ronnie	INED	1/1
Mr Kwan Pak Hoo Bankee	Chairman of the Board	1/1

The chairman of the Remuneration Committee since its establishment has been Mr Cheng Shu Shing Raymond.

The summary of the work performed by the Remuneration Committee for the financial period under review included:

- endorsement to the remuneration policy for the Directors;
- review and approval of the remuneration package of each Director including benefits in kind, pension right, bonus payment and compensation payable.

REMUNERATION POLICY FOR DIRECTORS

The Company adopted a remuneration policy providing guideline for Directors' remuneration.

Under the remuneration policy, Directors' remuneration should be based on internal equity factors and external market conditions and will be reviewed from time to time.

The remuneration of EDs generally consists of:

- fixed monthly salary/allowance – which is set in accordance to the Director's duties, responsibilities, skills, experiences and market influences;
- pension – which is based on the local Mandatory Provident Fund Contribution Scheme;
- short term variable incentive – which may include discretionary cash bonus depending on the achievement of short-term corporate objectives and/or personal targets;
- long term variable incentive – which may include share options designed to encourage long-term commitment.

The remuneration of NEDs will be a lump sum of management fee made annually.

Directors' Remuneration

The remuneration paid to and/or entitled by each of the Directors for the financial period under review is set out in note 11 to the financial statements in the Annual Report.

The share options granted to and/or entitled by the Directors during the financial period under review are set out in the section headed "Directors' Interests in Securities" in the Directors' Report of the Annual Report.

NOMINATION OF DIRECTORS

The Board shall be composed of members with mixed skills and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation, challenges and opportunities. Each member of the Board shall possess, be recognised for and be able to exhibit high and professional standard of a set of core criteria of competence.

Since the Adoption Date, the Company had adopted a nomination policy for the criteria, procedures, and process of the appointment and removal of Directors.

Under the nomination policy, the board of EDs has been delegated the full power to the administration of the nomination policy and the appointment and the termination of Directors, where the full Board remains to have the full and overriding power and absolute right thereover.

During the CG Period, 1 meeting was held by the EDs in resolving for the acceptance of the resignation of an ex-Director and the appointment of a new Director. The attendances of the EDs were as follows:

Director	**Attendance**
Mr Kwan Pak Hoo Bankee	1/1
Mr Law Ping Wah Bernard	1/1
Mr Wong Kin Yick Kenneth	0/1
Mr Cheng Man Pan Ben	0/1
Ms Kwok Oi Kuen Joan Elmond (resigned on 17 March 2006)	1/1

AUDIT COMMITTEE

Throughout the CG Period, the Company had maintained an Audit Committee. The major role and function of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group;
- providing independent review and supervision of the effectiveness of the internal control of the Group;
- review of the adequacy of the external audits;
- review on the compliance issues with the Listing Rules and other compliance requirements;
- providing independent views on connected transactions and transactions involving materially conflicted interest;
- consideration and reviewing the appointment of the Auditors and the audit fee.

Terms of reference of the Audit Committee had been compiled since the establishment of the Audit Committee and each version was endorsed and adopted by the then Audit Committee. The most updated version of the terms of reference of the Audit Committee has been posted onto the corporate website of the Company since the Adoption Date.

During the CG Period, the Audit Committee had held 5 physical meetings for discussing and/or approving the periodic financial results of the Group.

The composition of the Audit Committee, and the respective attendances of the committee members are presented as follows:

Member	Board capacity	Attendance
Mr Cheng Shu Shing Raymond	INED	3/5
Dr Hui Ka Wah Ronnie	INED	5/5
Mr Lo Kwok Hung John	INED (was appointed on 27 September 2005)	1/2
Mr Wong Kwong Chi Simon	INED (resigned on 12 September 2005)	3/3

Before the Adoption Date, there was no defined chairmanship of the Audit Committee. Since the Adoption Date, the chairman of the Audit Committee has been Mr Cheng Shu Shing Raymond.

During the CG Period, the Audit Committee consisted of only 2 members during the period from 12 September 2005 to 27 September 2005, which resulted from the resignation of Mr Simon Wong and before the appointment of the new member of Mr John Lo taking effect upon the prior approval from the Stock Exchange.

The report of the work performed by the Audit Committee for the financial period under review is set out in the section headed "Audit Committee Report" of this Annual Report.

AUDITORS' REMUNERATION

The analysis of the Auditors' remuneration for the financial period under review is presented as follows:

	Fee amount
	HK$
Audit service	1,550,000
Non-audit services	
– Preparation of accountants' report for the proposed acquisition of online game business, audit for online game business for the period ended 31 December 2004 and the period ended 31 August 2005 and review of sufficiency of working capital, pro-forma statement of assets and liabilities and statement of indebtedness of the enlarged group	700,000
Total	2,250,000

The non-audit services arose from the requirement of accounting performance required under the GEM Listing Rules for the corporate transaction of the Group which took place during the financial period under review.

ACKNOWLEDGEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial period under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable.

REVIEW OF INTERNAL CONTROL

During the financial period under review, the Directors had arranged to conduct a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review had been reported to the Audit Committee. The Directors had also, where necessary, initiated necessary improvement and reinforcement to the internal control system.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 17 March 2006

Audit Committee Report

The Audit Committee of the Company was established on 30 October 2000. Its composition shall be a minimum of 3 members of NEDs with a majority being INEDs. For the financial period under review, the Audit Committee comprised all the INEDs of the Company at all times.

For the financial period under review, the Audit Committee had performed the following duties:

- reviewed and commented on the financial report of each of the first quarter, the half-yearly, the third quarter, and the full year of the Group of the financial period under review before submission to the Board for adoption and publication;

- endorsed the policy on the engagement of external auditors for non-audit services;

- met with the Auditors to discuss the financial matters of the Group that arose during the course of the audit process, and reviewed the findings, recommendations and representations of the Auditors;

- reviewed and approved of the remuneration and the terms of engagement of the Auditors for both audit service and non-audit services for the financial period under review;

- reviewed the Company's statement on internal control.

After the due and careful consideration of the reports from the management of the Group and the Auditors, the Audit Committee was of the view that no suspected irregularities, internal control deficiencies, or breach of regulations had been found, and concluded that the system of internal controls was adequate and effective.

Based on the reviews and discussions performed by the Audit Committee, the Audit Committee had:

- recommended to the Board for the approval of the unaudited financial statements of the first quarter, the half-yearly and the third quarter of the financial period under review before the announcement of the interim results;

- recommended to the Board for the approval of the audited financial statements of the financial period under review together with the Auditors' Report there attached, before the announcement of the annual results; and

- recommended to the Board for the proposal for the re-appointment of Deloitte Touche Tohmatsu as the Auditors of the Company for the ensuing year in the forthcoming annual general meeting of the Company.

Audit Committee Members:
CHENG Shu Shing Raymond *(chairman of the Audit Committee)*
HUI Ka Wah Ronnie
LO Kwok Hung John

Hong Kong, 17 March 2006

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are financial services which consist of (a) online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, (b) margin financing, (c) corporate finance, and (d) other financial services.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 42 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2005 is set out on pages 120 to 122 of this Annual Report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Group are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 42 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the financial statements.

CONVERTIBLE LOAN NOTE

Convertible loan note issued on 1 September 2004

On 1 September 2004, the Company issued a convertible loan note with a principal amount of HK$40,500,000 at an initial conversion price of HK$0.27 per share to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). The convertible loan note bears an interest rate of 3% per annum from the date of issue to the final date of repayment of 31 December 2006. During the year, the Company had made early partial repayment of the convertible loan note in the total amount of HK$10,000,000 to ARTAR. As 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 (subject to adjustment).

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the financial statements.

As at 31 December 2005, the reserves of the Company available for distribution to shareholders were approximately HK$55,571,000, comprising contributed surplus of HK$55,842,000 less accumulated losses of HK$271,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$130,794,000.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTION

Issue of new shares to controlling shareholder

On 15 September 2005, the Company entered into a subscription agreement with Celestial Investment Group Limited ("CIGL"). CIGL is a substantial shareholder of the Company and hence a connected person of the Company within the meaning of the GEM Listing Rules. Pursuant to the subscription agreement, the Company would issue 120,000,000 ordinary shares of HK$0.10 each to CIGL at the subscription price of HK$0.40 per share. The subscription agreement was subject to conditions, including, inter alia, approval of the subscription agreement by the independent shareholders of the Company at a special general meeting of the Company held on 20 December 2005 and the simultaneous completion of a placing agreement dated 15 September 2005. All the conditions for completion were fulfilled in accordance with the terms of the subscription agreement and completion took place on 10 January 2006. The entering into the subscription agreement constituted a connected transaction of the Company under the GEM Listing Rules and the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules. Details of the transaction were set out in the Company's announcement dated 22 September 2005 and the circular dated 30 November 2005.

RAISING OF FUNDS AND USE OF PROCEEDS

(i) Pursuant to a subscription agreement dated 16 August 2004, a total of 132,000,000 ordinary shares of HK$0.10 each were issued to CIGL at HK$0.27 per share on 15 September 2005. The closing price of each share in the morning session on 16 August 2004 (the trading day on which the terms of the subscription agreement were fixed) was HK$0.248. Both the gross and net proceeds of the issue were HK$35,640,000, representing a net price of HK$0.27 per share. The fund was raised for strengthening the funding support and capital base of the Company. The net proceeds were applied to support the expanding share margin financing portfolio of the Group, to facilitate growth in the securities brokerage business and financial services for the mutual funds and insurance-linked investment products of the Group in line with market development, and for general working capital purposes. Details of the transaction were disclosed in the Company's announcement dated 16 August 2004 and circular dated 1 September 2004.

(ii) Pursuant to a top up agreement dated 22 September 2005, a total of 145,000,000 ordinary shares of HK$0.10 each were issued to CIGL at HK$0.40 per share on 5 October 2005 ("Top Up"). The closing price of each share on 15 September 2005 (the last trading day prior to the fixing of the terms of the top up agreement) was HK$0.495. The gross proceeds of the Top Up were HK$58,000,000 and the net proceeds of the Top Up were approximately HK$57,800,000, representing a net price of approximately HK$0.399 per share. Details of the transaction were disclosed in the Company's announcement dated 22 September 2005 and the circular dated 30 November 2005.

(iii) Subsequent to the balance sheet date, (i) a total of 155,000,000 ordinary shares of HK$0.10 each were issued to more than 6 placees (which were not connected persons of the Company under the GEM Listing Rules) at HK$0.40 per share on 10 January 2006 pursuant to a placing agreement dated 15 September 2005 ("Placing"). The gross proceeds of the Placing were HK$62,000,000 and the net proceeds were approximately HK$61,900,000, representing a net price of approximately HK$0.399 per share; and (ii) a total of 120,000,000 ordinary shares of HK$0.10 each were issued to CIGL at HK$0.40 per share on 10 January 2006 pursuant to a subscription agreement dated 15 September 2005 ("Subscription"). The net proceeds of the Subscription were HK$48,000,000, representing a net price of approximately HK$0.40 per share. The closing price of each share on 15 September 2005 (the last trading day prior to the fixing of the terms of the placing agreement and the subscription agreement) was HK$0.495.

(iv) The net proceeds of approximately HK$167,700,000 from the Top Up, Placing and the Subscription (as disclosed in the above items (ii) and (iii)) were applied as to approximately HK$110,000,000 for settlement of the consideration for acquisition of the Netfield Group of an online game business under a sale and purchase agreement dated 15 September 2005, as to approximately HK$30,000,000 as operating capital for the operation of the Netfield Group and as to the balance of approximately HK$27,700,000 as the general working capital of the Group. Details of the transaction were disclosed in the Company's announcement dated 22 September 2005 and circular dated 30 November 2005.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee
Law Ping Wah Bernard
Wong Kin Yick Kenneth
Cheng Man Pan Ben
Kwok Oi Kuen Joan Elmond (resigned on 17 March 2006)

Independent Non-executive Directors:

Cheng Shu Shing Raymond
Hui Ka Wah Ronnie
Lo Kwok Hung John (was appointed on 27 September 2005)
Wong Kwong Chi Simon (resigned on 12 September 2005)

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

(i) Mr Kwan Pak Hoo Bankee, Mr Wong Kin Yick Kenneth and Mr Law Ping Wah Bernard shall retire at least once in every three financial years at annual general meeting of the Company in accordance with the corporate governance code; and

(ii) Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, being INEDs, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party during the year.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules were as follows:

A. The Company

(a) Long positions in the ordinary shares

		Number of shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	534,219,434*	51.12
Wong Kin Yick Kenneth	Beneficial owner	1,720,000	–	0.16
Cheng Shu Sing Raymond	Beneficial owner	1,100,000	–	0.11
		2,820,000	534,219,434	51.39

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

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

					Number of options				Percentage to
Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2005	granted during the year (Notes (2)&(3))	lapsed during the year (Note (4))	outstanding as at 31 December 2005	issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.34	(5)	3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38	(5)	–	7,800,000	–	7,800,000	0.75
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Cheng Man Pan Ben	2/12/2003	1/6/2004 – 31/5/2006	0.34	(1)	650,000	–	–	650,000	0.06
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	–	(3,185,000)	–	–
	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	7,800,000	–	7,800,000	0.75
Cheng Shu Shing Raymond	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	1,000,000	–	1,000,000	0.09
Hui Ka Wah Ronnie	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	1,000,000	–	1,000,000	0.09
Lo Kwok Hung John	6/10/2005	6/10/2005 – 31/10/2006	0.38		–	1,000,000	–	1,000,000	0.09
					13,390,000	42,000,000	(12,740,000)	42,650,000	4.08

Notes:

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

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

(3) The fair value of the options granted by the Company to the Directors during the year totaled approximately HK$92,000. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Schemes" below.

(4) The lapsed options were due to expiry.

(5) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

(6) No option held by the Directors was exercised or cancelled during the year.

(7) The options are held by the Directors in the capacity of beneficial owner.

(c) Aggregate long positions in the ordinary shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	534,219,434	7,800,000	542,019,434	51.87
Law Ping Wah Bernard	–	7,800,000	7,800,000	0.75
Wong Kin Yick Kenneth	1,720,000	7,800,000	9,520,000	0.91
Cheng Man Pan Ben	–	8,450,000	8,450,000	0.81
Kwok Oi Kuen Joan Elmond	–	7,800,000	7,800,000	0.75
Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.20
Hui Ka Wah Ronnie	–	1,000,000	1,000,000	0.09
Lo Kwok Hung John	–	1,000,000	1,000,000	0.09
	537,039,434	42,650,000	579,689,434	55.47

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.62
		7,859,700	164,028,376	39.28

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

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2005	Number of options: lapsed during year	Number of options: outstanding as at 31 December 2005	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	(3,000,000)	–	–
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	(3,000,000)	–	–
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	(1,000,000)	–	–
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	(3,000,000)	–	–
					10,000,000	(10,000,000)	–	–

Note: The options are held by the Directors in the capacity of beneficial owner.

(c) Aggregate long positions in the ordinary shares and the underlying shares

Name	Number of shares	Aggregate in number	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	164,028,376	164,028,376	37.49
Law Ping Wah Bernard	5,096,200	5,096,200	1.16
Cheng Man Pan Ben	63,500	63,500	0.01
Kwok Oi Kuen Joan Elmond	2,700,000	2,700,000	0.62
	171,888,076	171,888,076	39.28

2. CRMG

(a) Long positions in the ordinary shares

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

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

(b) Aggregate long positions in the ordinary shares and the underlying shares

Name	Number of shares	Aggregate in number	Percentage to issued shares as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	446,572,587	446,572,587	40.88

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

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes during the year are set out in note 35(A) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of shares	Number of underlying shares	Aggregate in number	Shareholding (%)
Jeffnet Inc (Note 1)	Trustee of a discretionary trust	534,219,434	–	534,219,434	51.12
Cash Guardian (Note 1)	Interest in a controlled corporation	534,219,434	–	534,219,434	51.12
CASH (Note 1)	Interest in a controlled corporation	518,827,434	–	518,827,434	49.65
CIGL (Note 1)	Beneficial owner	518,827,434	–	518,827,434	49.65
Dr Wolfgang Auer von Welsbach (Note 2)	Interest in a controlled corporation	71,502,907	–	71,502,907	6.84
Auer von Welsbach Privatstiftung (Note 2)	Interest in a controlled corporation	71,502,907	–	71,502,907	6.84
AvW Beteiliguangsverwaltungs GmbH (Note 2)	Interest in a controlled corporation	71,502,907	–	71,502,907	6.84
AvW Management Beteiliguangs AG (Note 2)	Interest in a controlled corporation	71,502,907	–	71,502,907	6.84
AvW Invest AG (Note 2)	Beneficial owner	71,502,907	–	71,502,907	6.84
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note 3)	Interest in a controlled corporation	40,552,000	112,962,962	153,514,962	14.69
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note 3)	Beneficial owner	40,552,000	112,962,962	153,514,962	14.69

Notes:

(1) This refers to the same number of 534,219,434 shares which were held as to 518,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 15,392,000 shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian. Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.

(2) This refers to the same number of 71,502,907 shares held by AvW Invest AG, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG was 74% owned by AvW Management Beteiliguangs AG, which in turn was 100% owned by AvW Beteiliguangsverwaltungs GmbH. AvW Beteiliguangsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders include Dr Wolfgang Auer von Welsbach. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiliguangsverwaltungs GmbH and AvW Management Beteiliguangs AG were deemed to be interested in all the shares held by AvW Invest AG.

(3) This refers to the 40,552,000 shares and a convertible loan note in the outstanding amount of HK$30,500,000 held by ARTAR. The convertible loan note is convertible into a maximum number of 112,962,962 shares at the initial conversion price of HK$0.27 per share (subject to adjustment). ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the shares and the underlying shares held by ARTAR.

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

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 41 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the Independent Non-executive Director of the Company in compliance with rule 5.09 of the GEM Listing Rules, and the Company still considers that each of them to be independent.

AUDITORS

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 17 March 2006

Auditors' Report

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements on pages 42 to 119 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 17 March 2006

Consolidated Income Statement

For the year ended 31 December 2005

	Notes	**2005 HK$'000**	2004 HK$'000 (restated)
Revenue	7	**213,557**	239,972
Other operating income		**2,721**	7,710
Reversal of allowance for bad and doubtful debts		**702**	1,139
Convertible loan note settlement expense		**(85)**	(310)
Salaries, commission and related benefits	9	**(108,303)**	(119,778)
Other operating and administrative expenses		**(56,316)**	(58,570)
Depreciation and amortisation		**(10,606)**	(20,106)
Finance costs	10	**(14,568)**	(8,748)
Net decrease in fair value of listed investments held for trading		**(3,298)**	–
Loss on trading of securities, options, futures, and leveraged foreign exchange contracts		**–**	(20,140)
Gain (Loss) on disposal of property and equipment		**43**	(7)
Profit before taxation	13	**23,847**	21,162
Taxation credit (charge)	14	**3,440**	(350)
Profit for the year		**27,287**	20,812
Attributable to:			
Equity holders of the Company		**26,626**	20,388
Minority interests		**661**	424
		27,287	20,812
Dividend:			
No proposed final dividend for 2005 (2004: final dividend of HK$0.01 per ordinary share based on 754,556,448 shares)		**–**	7,546
Earnings per share	15		
– Basic		**3.2 cents**	3.2 cents
– Diluted		**3.0 cents**	N/A

Consolidated Balance Sheet

At 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property and equipment	16	**12,218**	20,725
Goodwill	17	**4,933**	4,933
Intangible assets	18	**11,062**	9,092
Other assets	20	**7,564**	11,387
Loan receivables	21	**122**	18,700
Deposits for acquisition	22	**56,095**	–
		91,994	64,837
Current assets			
Deferred tax assets	14	**3,940**	–
Account receivables	24	**469,528**	363,191
Loan receivables	21	**38,426**	19,651
Prepayments, deposits and other receivables	23	**16,074**	9,978
Amounts due from fellow subsidiaries	23	**972**	2,048
Listed investments held for trading	25	**42,472**	–
Other investments	26	**–**	47,032
Derivative financial instrument	27	**16**	–
Bank deposits under conditions	28	**17,125**	16,782
Bank balances – trust and segregated accounts	23	**352,902**	433,156
Bank balances (general accounts) and cash	23	**117,516**	71,500
		1,058,971	963,338
Current liabilities			
Account payables	29	**555,565**	616,906
Accrued liabilities and other payables	23	**33,939**	34,319
Taxation payable		**1,084**	584
Obligations under finance leases – amount due within one year	30	**150**	63
Bank borrowings	31	**171,737**	96,155
Convertible loan note – amount due within one year	33	**30,242**	–
		792,717	748,027
Net current assets		**266,254**	215,311
		358,248	280,148

Consolidated Balance Sheet

At 31 December 2005

	Notes	**2005** **HK$'000**	2004 HK$'000 (restated)
Capital and reserves			
Share capital	32	**104,488**	75,456
Reserves		**252,130**	164,048
Equity attributable to equity holders of the Company		**356,618**	239,504
Minority interests		**1,471**	810
Total equity		**358,089**	240,314
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	30	**159**	–
Convertible loan note			
– amount due after one year	33	**–**	39,834
		159	39,834
		358,248	280,148

The financial statements on pages 42 to 119 were approved and authorised for issue by the board of Directors on 17 March 2006 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

		Attributable to equity holders of the Company								
	Notes	**Share capital** HK$'000	**Share premium** HK$'000	**Contributed surplus** (see note (e)) HK$'000	**Convertible loan note equity reserve** HK$'000	**Share-based payment reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2004, as originally stated		37,728	–	186,377	–	–	(106,229)	117,876	–	117,876
Effects of changes in accounting policies (see note 3)		–	–	–	1,764	461	(1,190)	1,035	386	1,421
At 1 January 2004, as restated		37,728	–	186,377	1,764	461	(107,419)	118,911	386	119,297
Profit for the year, representing total recognised income for the year		–	–	–	–	–	20,388	20,388	424	20,812
Recognition of employee share option benefits	(b)	–	–	–	–	219	–	219	–	219
Recognition of equity component of convertible loan note		–	–	–	771	–	–	771	–	771
Arising from partial repayment of convertible loan note	(c)	–	–	–	(1,764)	–	1,295	(469)	–	(469)
Issue of rights shares	(a)	37,728	64,137	–	–	–	–	101,865	–	101,865
Transaction costs attributable to issue of rights shares	(a)	–	(2,181)	–	–	–	–	(2,181)	–	(2,181)
At 31 December 2004 and 1 January 2005, as restated		75,456	61,956	186,377	771	680	(85,736)	239,504	810	240,314
Profit for the year, representing total recognised income for the year		–	–	–	–	–	26,626	26,626	661	27,287
Recognition of employee share option benefits	(b)	–	–	–	–	203	–	203	–	203
Arising from partial repayment of convertible loan note	(c)	–	–	–	(190)	–	151	(39)	–	(39)
2004 final dividend paid		–	–	–	–	–	(7,546)	(7,546)	–	(7,546)
Issue of new shares	(d)	29,032	69,138	–	–	–	–	98,170	–	98,170
Transaction costs attributable to issue of new shares	(d)	–	(300)	–	–	–	–	(300)	–	(300)
Amount transferred to set off accumulated losses	(f)	–	–	(12,827)	–	–	12,827	–	–	–
At 31 December 2005		**104,488**	**130,794**	**173,550**	**581**	**883**	**(53,678)**	**356,618**	**1,471**	**358,089**

Notes:

(a) On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.27 per share. The proceeds before expenses were approximately HK$101,865,000.

(b) The Group has applied HKFRS 2 *Share-based payment* retrospectively in relation to the expensing of the fair value of share options granted on 3 November 2003, 2 December 2003 and 6 October 2005 to Directors and employees determined at the date of grant of the share options, over the vesting period.

(c) During the year ended 31 December 2004, the Group has made full repayment of the outstanding convertible loan note issued on 28 September 2001 amounting to HK$125,100,000. The consideration of HK$125,100,000 was allocated into liability component and equity component. An equity component of approximately HK$1,764,000 was released from the convertible loan note equity reserve.

During the year ended 31 December 2005, the Group has made partial repayment of the convertible loan note issued on 1 September 2004 amounting to HK$10,000,000. The consideration of HK$10,000,000 was allocated into liability component and equity component. An equity component of approximately HK$190,000 was released from the convertible loan note equity reserve.

(d) (i) On 15 September 2005, 132,000,000 shares of HK$0.10 each were issued by way of subscription at a subscription price of HK$0.27 per share pursuant to a subscription agreement dated 16 August 2004. The gross proceeds of HK$35,640,000 were raised for strengthening the funding support and capital base of the Company.

(ii) In September 2005, 650,000 share options and 12,675,000 share options respectively were exercised at an exercise price of HK$0.34 per share, resulting in the issue of 650,000 shares and 12,675,000 shares of HK$0.10 each on 16 September 2005 and 26 September 2005 respectively. The proceeds before expenses were HK$4,530,500.

(iii) On 5 October 2005, 145,000,000 top up shares of HK$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), the controlling shareholder, at the price of HK$0.40 per share pursuant to the top up agreement dated 22 September 2005. The gross proceeds of HK$58,000,000 were raised for settlement of part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006.

(e) The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

(f) Pursuant to a minutes of a Board of Directors' meeting held on 30 May 2005, an amount of HK$12,827,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004 of HK$5,282,000 and the payment for final dividend of 2004 of HK$7,546,000.

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (restated)
Operating activities			
Profit before taxation		**23,847**	21,162
Adjustments for:			
Convertible loan note settlement expense		**85**	310
Advertising and telecommunication services expenses	34	**–**	1,786
Reversal of allowance for bad and doubtful debts		**(702)**	(1,139)
Amortisation of goodwill		**–**	2,370
Amortisation of trading rights		**–**	1,830
Depreciation of property and equipment		**10,606**	15,906
Interest expenses		**14,568**	8,748
Employee share option benefits		**203**	219
(Gain) Loss on disposal of property and equipment		**(43)**	7
Increase in fair value of derivative financial instrument		**(16)**	–
Operating cash inflows before movements in working capital		**48,548**	51,199
Decrease (Increase) in loan receivables		**701**	(36,512)
(Increase) Decrease in account receivables		**(106,533)**	126,366
(Increase) Decrease in prepayments, deposits and other receivables		**(3,296)**	1,288
Decrease (Increase) in amounts due from fellow subsidiaries		**1,076**	(262)
Decrease in listed investments held for trading/other investments		**4,560**	36
Decrease (Increase) in bank balances – trust and segregated accounts		**80,254**	(51,100)
(Decrease) Increase in account payables		**(61,341)**	53,044
(Decrease) Increase in accrued liabilities and other payables		**(380)**	5,790
Net cash (used in) from operating activities		**(36,411)**	149,849
Investing activities			
Deposit payment for acquisition of online game business		**(56,095)**	–
Additional payment for acquisition of a subsidiary		**–**	(1,400)
Increase in bank deposits under conditions		**(343)**	(217)
Statutory and other deposits paid		**(947)**	(1,601)
Purchases of property and equipment		**(1,650)**	(7,137)
Proceeds on disposal of property and equipment		**60**	–
Net cash used in investing activities		**(58,975)**	(10,355)

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	2005 HK$'000	2004 HK$'000 (restated)
Financing activities		
Increase (Decrease) in bank overdrafts	**11,582**	(7,219)
Increase (Decrease) in bank loans	**64,000**	(109,000)
Proceeds on issue of shares	**98,170**	101,865
Proceeds on issue of convertible loan note	**–**	40,500
Share issue expenses	**(300)**	(2,181)
Dividend paid	**(7,546)**	–
Interest paid on bank borrowings	**(13,202)**	(6,343)
Interest paid on obligations under finance leases	**(15)**	(12)
Interest paid on convertible loan note	**(1,067)**	(2,032)
Repayment of obligations under finance leases	**(220)**	(187)
Repayment of convertible loan note	**(10,000)**	(125,100)
Net cash from (used in) financing activities	**141,402**	(109,709)
Net increase in cash and cash equivalents	**46,016**	29,785
Cash and cash equivalents at beginning of year	**71,500**	41,715
Cash and cash equivalents at end of year	**117,516**	71,500
Bank balances (general accounts) and cash	**117,516**	71,500

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange.

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

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

Business combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. On 1 January 2005, the Group eliminated the carrying amount of the related accumulated amortisation and impairment of approximately HK$104,512,000 with a corresponding decrease in the cost of goodwill (see note 17). The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Share-based payments

In the current year, the Group has applied HKFRS 2 *Share-based payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to Directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see note 3 for the financial impact).

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

Financial instruments

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

Convertible loan note

The principal impact of HKAS 32 on the Group is in relation to convertible loan note issued by the Company that contain an early redemption option, a liability component and an equity component. Previously, convertible loan note was classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into the early redemption option, liability component and equity component on initial recognition. Derivative embedded in a financial instrument is treated as separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, the early redemption option derivative, 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 portion relating to the derivative is charged directly to profit or loss. The issuer of a compound financial instrument has to account for these components separately. In subsequent periods, the liability component is measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see note 3 for the financial impact).

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

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities

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

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, "other investments" amounted to approximately HK$47,032,000 has been classified as "listed investments held for trading" on 1 January 2005 (see note 3 for the financial impact).

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

Financial instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Derivatives

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

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

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

Intangible assets

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

3. SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

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

	2005 HK$'000	2004 HK$'000
Depreciation and amortisation		
Non-amortisation of goodwill	2,694	–
Non-amortisation of trading rights	1,830	–
Salaries, commission and related benefits		
Recognition of employee share option benefits	(203)	(219)
Finance costs		
Increase in effective interest expense on the liability component of convertible loan note	(284)	(361)
Convertible loan note settlement expense		
Increase in convertible loan note settlement expense	(85)	(310)
Increase (Decrease) in profit for the year	3,952	(890)

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

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

	As at 31 December 2004 (originally stated)	Retrospective adjustments			As at 31 December 2004 (restated)	Prospective adjust-ments	As at 1 January 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		HKAS 1	HKAS 32	HKFRS 2		HKAS 39	
Balance sheet items							
Goodwill	4,933	–	–	–	4,933	–	4,933
Intangible assets	9,092	–	–	–	9,092	–	9,092
Other assets	11,387	–	–	–	11,387	–	11,387
Listed investments held for trading	–	–	–	–	–	47,032	47,032
Investments	47,032	–	–	–	47,032	(47,032)	–
Convertible loan note	(40,500)	–	666	–	(39,834)	–	(39,834)
Derivative financial instrument	–	–	–	–	–	(48)	(48)
Other net assets	207,704	–	–	–	207,704	–	207,704
Total effects on assets and liabilities	239,648	–	666	–	240,314	(48)	240,266
Share capital	75,456	–	–	–	75,456	–	75,456
Accumulated losses	(84,951)	–	(105)	(680)	(85,736)	(48)	(85,784)
Convertible loan note equity reserve	–	–	771	–	771	–	771
Share-based payment reserve	–	–	–	680	680	–	680
Other reserves	248,333	–	–	–	248,333	–	248,333
Minority interests	–	810	–	–	810	–	810
Total effects on equity	238,838	810	666	–	240,314	(48)	240,266
Minority interests	810	(810)	–	–	–	–	–

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

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

	As originally stated	**HKAS 1**	**HKAS 32**	**HKFRS 2**	**As restated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Share capital	37,728	–	–	–	37,728
Accumulated losses	(106,229)	–	(729)	(461)	(107,419)
Convertible loan note equity reserve	–	–	1,764	–	1,764
Share-based payment reserve	–	–	–	461	461
Other reserves	186,377	–	–	–	186,377
Minority interests	–	386	–	–	386
Total effects on equity	117,876	386	1,035	–	119,297

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]

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

HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Goodwill

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

Revenue recognition

Revenue arising from financial services are recognised on the following basis:

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Property and equipment

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

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

Leasehold improvements	the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	3 to 5 years
Motor Vehicles	3 years

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

Borrowing costs

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

Taxation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

On initial recognition, intangible assets acquired are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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, prepayments, deposits and other receivables, and amount due from fellow subsidiaries) 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.

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 Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities including accounts payables, accrued liabilities and other payables, and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan note

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in other reserve.

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

As at 31 December 2005, a deferred tax asset of approximately HK$3,940,000 in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. No deferred tax asset was recognised in the Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK$298,538,000. 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.

Reversal of allowance of bad and doubtful debts

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2005, the carrying amount of goodwill is approximately HK$4,933,000. Details of the recoverable amount calculation are disclosed in note 19.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, statutory and other deposits, bank borrowings, account receivables, account payables, convertible loan note and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. To mitigate the foreign currency risk, leveraged foreign exchange contracts are entered into for foreign exchange exposure arising from broking in foreign shares and commodities.

Equity price risk

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

Interest rate risk

Most of the bank borrowings, that are matured within 3 months and are collateralised by margin clients' securities, carry interest at variable rate which can mitigate the cash flow interest rate risk. Certain of the bank borrowings carry fixed-rate interest. To mitigate the fair value interest rate risk, the Group entered into interest rate swap to hedge against its exposures to changes in fair values of these borrowings.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the clients' and foreign brokers' failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

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

Liquidity risk

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

7. REVENUE

	2005	2004
	HK$'000	HK$'000
Fees and commission income	**178,719**	210,729
Interest income	**34,838**	29,243
	213,557	239,972

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Broking	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading services
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2005

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	171,628	34,838	7,091	213,557
RESULT				
Segment profit (loss)	33,145	7,281	(5,337)	35,089
Other operating income				2,721
Net decrease in fair value of listed investments held for trading				(3,298)
Unallocated corporate expenses				(10,665)
Profit before taxation				23,847
Taxation credit				3,440
Profit for the year				27,287

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2005

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS				
Segment assets	624,276	404,049	16,601	1,044,926
Unallocated corporate assets				106,039
Consolidated total assets				1,150,965
LIABILITIES				
Segment liabilities	478,417	248,885	3,337	730,639
Unallocated corporate liabilities				62,237
Consolidated total liabilities				792,876

Other information for the year ended 31 December 2005

	Broking	Financing	Corporate finance	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Additions of property and equipment	–	–	–	2,116	2,116
(Reversal of allowance) Allowance for bad and doubtful debts	(104)	(898)	300	–	(702)
Depreciation of property and equipment	769	–	19	9,818	10,606
Gain on disposal of property and equipment	–	–	–	(43)	(43)

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2004

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
	(restated)			(restated)
Revenue	204,092	29,243	6,637	239,972
RESULT				
Segment profit (loss)	64,876	8,527	(7,863)	65,540
Other operating income				7,710
Loss on trading of securities, options, futures and leveraged foreign exchange contracts				(20,140)
Unallocated corporate expenses				(31,948)
Profit before taxation				21,162
Taxation charge				(350)
Profit for the year				20,812

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2004

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
ASSETS				
Segment assets	681,832	293,478	11,400	986,710
Unallocated corporate assets				41,465
Consolidated total assets				1,028,175
LIABILITIES				
Segment liabilities	552,738	160,323	3,353	716,414
Unallocated corporate liabilities				71,447
Consolidated total liabilities				787,861

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2004

	Broking HK$'000	**Financing** HK$'000	**Corporate finance** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Additions of property and equipment	–	–	–	7,137	7,137
Reversal of allowance for bad and doubtful debts	–	(1,139)	–	–	(1,139)
Amortisation of intangible assets	1,830	–	–	–	1,830
Amortisation of goodwill	1,040	–	1,330	–	2,370
Depreciation of property and equipment	1,132	–	32	14,742	15,906
Loss on disposal of property and equipment	–	–	–	7	7

9. SALARIES, COMMISSION AND RELATED BENEFITS

	2005 **HK$'000**	2004 HK$'000 (restated)
Salaries, allowances and commission represent the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	**106,050**	117,879
Contributions to retirement benefits scheme	**2,050**	1,680
Employee share option benefits	**203**	219
	108,303	119,778

10. FINANCE COSTS

	2005 HK$'000	2004 HK$'000 (restated)
Interest on:		
Bank overdrafts and loans wholly repayable within five years	**13,202**	6,343
Finance leases	**15**	12
Effective interest expense on convertible loan note	**1,351**	2,393
	14,568	8,748

11. DIRECTORS' REMUNERATION

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

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Man Pan Ben HK$'000	Kwok Oi Kuen Joan Elmond HK$'000	Cheng Shu Shing Raymond HK$'000	Hui Ka Wah Ronnie HK$'000	Lo Kwok Hung John HK$'000	Wong Kwong Chi Simon HK$'000	2005 Total HK$'000
Fees:										
Executive Directors	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	100	100	30	70	300
Other remuneration paid to Executive Directors:										
Salaries, allowances and benefits in kind	120	600	1,160	640	–	–	–	–	–	2,520
Employee share option benefits	17	17	17	18	17	2	2	2	–	92
Contributions to retirement benefits scheme	6	30	58	27	–	–	–	–	–	121
Total remuneration	143	647	1,235	685	17	102	102	32	70	3,033

11. DIRECTORS' REMUNERATION (continued)

	Kwan Pak Hoo Bankee HK$'000	Law Ping Wah Bernard HK$'000	Wong Kin Yick Kenneth HK$'000	Cheng Man Pan Ben HK$'000 (restated)	Law Ka Kin Eugene HK$'000	Miao Wen Hao Felix HK$'000	Kwok Oi Kuen Joan Elmond HK$'000	Cheng Shu Shing Raymond HK$'000	Hui Ka Wah Ronnie HK$'000	Lo Kwok Hung John HK$'000	Wong Kwong Chi Simon HK$'000	2004 Total HK$'000 (restated)
Fees:												
Executive Directors	–	–	–	–	–	–	–	–	–	–	–	–
Independent Non-executive Directors	–	–	–	–	–	–	–	100	–	100	100	300
Other remuneration paid to Executive Directors:												
Salaries, allowances and benefits in kind	320	600	1,017	342	715	–	–	–	–	–	–	2,994
Employee share option benefits	–	–	–	8	–	–	–	–	–	–	–	8
Contributions to retirement benefits scheme	6	30	51	17	35	–	–	–	–	–	–	139
Total remuneration	326	630	1,068	367	750	–	–	100	–	100	100	3,441

During the year ended 31 December 2005, Mr Wong Kwong Chi Simon resigned as an Independent Non-executive Director and Mr Lo Kwok Hung John was appointed as an Independent Non-executive Director.

During the year ended 31 December 2004, Mr Cheng Man Pan Ben was appointed as an Executive Director and Mr Law Ka Kin Eugene and Mr Miao Wen Hao Felix resigned as Executive Directors, and Dr Hui Ka Wah Ronnie was appointed as an Independent Non-executive Director and Mr Lo Kwok Hung John resigned as an Independent Non-executive Director.

During both years, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during both years.

12. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, one (2004: one) was Director of the Company whose emolument is included in the disclosures in note 11 above. The emoluments of the remaining four (2004: four) individuals were as follows:

	2005 **HK$'000**	2004 HK$'000 (restated)
Salaries, allowances and benefits in kind	**5,487**	5,177
Contributions to retirement benefits scheme	**146**	162
Performance related incentive payments	**102**	182
Employee share option benefits	**12**	30
	5,747	5,551

Their remuneration were within the following bands:

	2005 **Number of employees**	2004 Number of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**1**	1

13. PROFIT BEFORE TAXATION

	2005 HK$'000	2004 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of goodwill (included in depreciation and amortisation)	–	2,370
Amortisation of intangible assets (included in depreciation and amortisation)	–	1,830
Auditors' remuneration	1,550	1,200
Depreciation of property and equipment		
Owned assets	10,471	15,716
Leased assets	135	190
	10,606	15,906
Operating lease rentals in respect of land and buildings	9,415	10,765
Net foreign exchange loss (gain)	645	(3,574)
Unrealised gain on derivative financial instrument	(16)	–
Dividends from investments	(143)	(693)

14. TAXATION (CREDIT) CHARGE

	2005 HK$'000	2004 HK$'000
Current year:		
Hong Kong Profits Tax	500	350
Deferred taxation	(3,940)	–
	(3,440)	350

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

14. TAXATION (CREDIT) CHARGE (continued)

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

	2005 **HK$'000**	2004 HK$'000 (restated)
Profit before taxation	**23,847**	21,162
Taxation at income tax rate of 17.5%	**4,173**	3,703
Tax effect of estimated tax losses not recognised	**1,207**	3,138
Tax effect of expenses not deductible for tax purpose	**1,499**	4,217
Tax effect of income not taxable for tax purpose	**(936)**	(571)
Utilisation of estimated tax losses previously not recognised	**(5,492)**	(10,109)
Tax effect of estimated tax losses recognised	**(3,940)**	–
Other difference	**49**	(28)
Taxation for the year	**(3,440)**	350

14. TAXATION (CREDIT) CHARGE (continued)

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

	Accelerated tax depreciation HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 January 2004	(2,748)	2,748	–
Credit (Charge) to income statement	803	(803)	–
At 31 December 2004 and 1 January 2005	(1,945)	1,945	–
Credit to income statement	1,169	2,771	3,940
At 31 December 2005	**(776)**	**4,716**	**3,940**

For the purpose of balance sheet presentation, deferred tax assets and liabilities of approximately HK$776,000 have been offset. Same amount of movement amounting to HK$1,169,000 have been credited and charged to the current year income statement for accelerated tax depreciation and estimated tax losses respectively. In addition, HK$3,940,000 estimated tax losses have been credited to the income statement for recognising deferred tax assets.

At the balance sheet date, the Group had unused estimated tax losses of HK$325,487,000 (2004: HK$349,973,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$26,949,000 (2004: HK$11,114,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK$298,538,000 (2004: HK$338,859,000) due to the unpredictability of future profit streams.

15. EARNINGS 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 2005 together with the comparative figures for 2004 are based on the following data:

	2005	2004
	HK$'000	HK$'000
		(restated)
Profit		
Profit for the purpose of basic earnings per share	**26,626**	20,388
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	**1,351**	–
Profit for the purpose of diluted earnings per share	**27,977**	20,388
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**832,131,859**	642,409,860
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	**112,962,963**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**945,094,822**	642,409,860

In the opinion of the Directors, in 2004, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible loan note due to insignificant effect.

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

15. EARNINGS PER SHARE (continued)

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

	2005 cents	2004 cents
Impact on basic earnings per share		
Reported figures before adjustments	2.7	3.3
Adjustments arising from changes in accounting policies (see note 3)	0.5	(0.1)
Restated	3.2	3.2
Impact on diluted earnings per share		
Reported figures before adjustments	2.6	N/A
Adjustments arising from changes in accounting policies (see note 3)	0.4	N/A
Restated	3.0	N/A

16. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 January 2004	29,380	20,988	24,092	1,723	76,183
Additions	4,911	619	1,607	–	7,137
Disposals	–	–	(15)	–	(15)
At 31 December 2004	34,291	21,607	25,684	1,723	83,305
Additions	197	136	1,317	466	2,116
Disposals	–	(8)	–	(350)	(358)
At 31 December 2005	34,488	21,735	27,001	1,839	85,063
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	14,254	12,776	18,813	839	46,682
Provided for the year	7,052	4,937	3,237	680	15,906
Eliminated on disposals	–	–	(8)	–	(8)
At 31 December 2004	21,306	17,713	22,042	1,519	62,580
Provided for the year	5,548	3,030	1,834	194	10,606
Eliminated on disposals	–	(8)	–	(333)	(341)
At 31 December 2005	26,854	20,735	23,876	1,380	72,845
NET BOOK VALUES					
At 31 December 2005	7,634	1,000	3,125	459	12,218
At 31 December 2004	12,985	3,894	3,642	204	20,725

The net book values of property and equipment included fully depreciated property and equipment amounting to HK$49,981,000 (2004: HK$10,343,000).

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

17. GOODWILL

	HK$'000
COST	
At 1 January 2004	108,045
Arising on additional payment for acquisition of a subsidiary (note)	1,400
At 1 January 2005	109,445
Elimination of accumulated amortisation and impairment upon the application of HKFRS 3 (see note 2)	(104,512)
At 31 December 2005	4,933
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	102,142
Charged for the year	2,370
At 1 January 2005	104,512
Elimination of accumulated amortisation and impairment upon the application of HKFRS 3	(104,512)
At 31 December 2005	–
NET BOOK VALUES	
At 31 December 2005	4,933
At 31 December 2004	4,933

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

Particulars regarding impairment testing on goodwill are disclosed in note 19. Until 31 December 2004, goodwill had been amortised on a straight-line basis over its estimated useful life of 3 years.

18. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2004 and 1 January 2005	15,039
Reclassified from other assets	1,970
Elimination of accumulated amortisation upon the application of HKAS 38 (see note 2)	(5,947)
At 31 December 2005	11,062
AMORTISATION	
At 1 January 2004	4,117
Charged for the year	1,830
At 31 December 2004 and 1 January 2005	5,947
Elimination of accumulated amortisation upon the application of HKAS 38	(5,947)
At 31 December 2005	–
NET BOOK VALUES	
At 31 December 2005	11,062
At 31 December 2004	9,092

Intangible assets amounting to HK$9,092,000 represent trading rights in the exchanges in Hong Kong. Until 31 December 2004, the trading rights had been amortised on a straight-line basis over 10 years. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of the trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives and discontinued amortising the trading rights from 1 January 2005 onwards. Particulars regarding impairment testing on the trading rights are disclosed in note 19.

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

18. INTANGIBLE ASSETS (continued)

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

19. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS

As explained in note 8, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 17 and 18 respectively have been allocated to two and one individual cash generating units ("CGUs") respectively, including two subsidiaries in broking and one subsidiary in corporate finance. The carrying amounts of goodwill and trading rights (net of accumulated impairment losses) as at 31 December 2005 allocated to these units are as follows:

	Goodwill	**Trading rights**
	HK$'000	HK$'000
Broking – Broking of securities	**–**	9,092
Broking – Mutual funds and insurance-linked investment products	**2,272**	–
Corporate finance	**2,661**	–
	4,933	9,092

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

The recoverable amounts of the above CGUs 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.

20. OTHER ASSETS

	2005 HK$'000	2004 HK$'000
Club memberships	–	1,970
Statutory and other deposits	7,564	6,617
Prepayment for advertising and telecommunication services	2,800	5,600
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(2,800)	(2,800)
	7,564	11,387

On 1 January 2005, in the opinion of the Directors, club memberships amounting to HK$1,970,000 was reclassified as intangible assets with indefinite useful life.

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

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

21. LOAN RECEIVABLES

	2005 HK$'000	2004 HK$'000
Variable-rate loan receivables denominated in Hong Kong dollar	**76,684**	102,757
Less: Provision for bad and doubtful debts	**(38,136)**	(64,406)
	38,548	38,351
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	**38,426**	19,651
Non-current assets (receivable after 12 months from the balance sheet date)	**122**	18,700
	38,548	38,351

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

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

	2005 HK$'000	2004 HK$'000
Within one year	**38,426**	19,651
In more than one year but not more than two years	**23**	18,700
In more than two years but not more than three years	**25**	–
In more than three years but not more than four years	**26**	–
In more than four years but not more than five years	**28**	–
In more than five years	**20**	–
	38,548	38,351

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

22. DEPOSITS FOR ACQUISITION

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

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

Further explanations of the related transactions occurred after the year end date is presented in note 41(a) to the financial statements, "Post Balance Sheet Events".

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

23. OTHER FINANCIAL ASSETS AND LIABILITIES

Prepayments, deposits and other receivables

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

Amounts due from fellow subsidiaries

The amounts are non-interest bearing, unsecured, repayable on demand and in general aged less than a year. The fair values of these balances at the balance sheet date approximate their carrying amounts.

Bank balances – trust and segregated accounts

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

23. OTHER FINANCIAL ASSETS AND LIABILITIES (continued)

Bank balances (general accounts) and cash

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

Accrued liabilities and other payables

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

24. ACCOUNT RECEIVABLES

	2005	2004
	HK$'000	HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**29,894**	16,168
Cash clients	**94,958**	86,935
Margin clients	**270,707**	183,287
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**70,662**	72,989
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**2,275**	3,302
Account receivables arising from the business of provision of corporate finance services	**1,032**	510
	469,528	363,191

24. ACCOUNT RECEIVABLES (continued)

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

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

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

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

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

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

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

24. ACCOUNT RECEIVABLES (continued)

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

	2005	2004
	HK$'000	HK$'000
0-30 days	**2,373**	3,182
31-60 days	**436**	189
61-90 days	**5**	163
Over 90 days	**493**	278
	3,307	3,812

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

25. LISTED INVESTMENTS HELD FOR TRADING

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

	HK$'000
Equity securities listed in Hong Kong	42,472

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

26. OTHER INVESTMENTS

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

	HK$'000
Equity securities:	
Current	
Listed in Hong Kong, at market value	47,032

27. DERIVATIVE FINANCIAL INSTRUMENT

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

Major terms of the interest rate swap are as follows:

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

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

28. BANK DEPOSITS UNDER CONDITIONS

	2005	2004
	HK$'000	HK$'000
Other bank deposits (note (a))	**16,207**	16,018
Pledged bank deposits (note (b))	**918**	764
	17,125	16,782

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

Notes:

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

(b) The Group's bank deposits of HK$918,000 (2004: HK$764,000) was pledged to secure the general banking facilities granted by a bank. The bank deposits will mature when the banking facilities are withdrawn.

29. ACCOUNT PAYABLES

	2005 HK$'000	2004 HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**347,961**	353,113
Margin clients	**77,148**	64,168
Clearing houses, brokers and dealers	**–**	39,875
Account payables to clients arising from the business of dealing in futures and options	**127,446**	156,151
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**3,010**	3,599
	555,565	616,906

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

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

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

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

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

30. OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	**164**	64	**150**	63
In more than one year but not more than two years	**177**	–	**159**	–
	341	64	**309**	63
Less: future finance charges	**(32)**	(1)	**–**	–
Present value of lease obligations	**309**	63	**309**	63
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(150)**	(63)
Amount due for settlement after 12 months			**159**	–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

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

31. BANK BORROWINGS

	2005	2004
	HK$'000	HK$'000
Bank overdrafts, secured	**29,737**	18,155
Bank loans, secured	**142,000**	78,000
	171,737	96,155

The bank borrowings are repayable within one year or when the facility is withdrawn. These borrowings are used to finance the financing business of the Group.

At 31 December 2005, the Group's bank borrowings were secured by:

(a) corporate guarantees from the Company; and

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

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2004: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 28).

Bank overdrafts amounting to HK$29,737,000 (2004: HK$18,155,000) carry interest at either HIBOR plus a spread or Prime rate. Bank loans amounting to HK$142,000,000 (2004: HK$78,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Prime rate plus a spread. Interest rate is repriced every twelve months.

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

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

As at the balance sheet date, the Group has undrawn borrowing facility amounting to HK$675,500,000 (2004: HK$429,500,000) with floating rate and expiring within one year.

32. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2004		500,000	50,000
Increase during the year	(a)	1,500,000	150,000
At 31 December 2004 and 1 January 2005		2,000,000	200,000
Increase during the year	(a)	1,000,000	100,000
At 31 December 2005		3,000,000	300,000
Issued and fully paid:			
At 1 January 2004		377,278	37,728
Issue of shares due to rights issue	(b)	377,278	37,728
At 31 December 2004 and 1 January 2005		754,556	75,456
Issue of subscription shares	(c)	132,000	13,200
Exercise of share options	(d)	13,325	1,332
Issue of top up shares	(e)	145,000	14,500
At 31 December 2005		1,044,881	104,488

32. SHARE CAPITAL (continued)

Notes:

(a) Increase of authorised share capital

Pursuant to an ordinary resolution passed on 23 April 2004, the authorised share capital of the Company was increased from HK$50,000,000 to HK$100,000,000 by the creation of an additional 500,000,000 shares of HK$0.10 each.

Pursuant to an ordinary resolution passed on 20 September 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 each.

Pursuant to an ordinary resolution passed on 20 December 2005, the authorised share capital of the Company was increased from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 each.

(b) Rights issue

On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.27 each. The gross proceeds of approximately HK$101,865,000 were used for expanding share margin financing portfolio and facilitated corresponding growth in its securities brokerage business in line with market development and for general working capital. These shares rank pari passu in all respects with other shares in issue.

(c) Issue of subscription shares

Pursuant to the subscription agreement dated 16 August 2004, a total of 132,000,000 shares of HK$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), the controlling shareholder of the Company, at a subscription price of HK$0.27 each on 15 September 2005. The funds were raised for strengthening the funding support and capital bases of the Company. These shares rank pari passu in all respects with other shares in issue.

(d) Exercise of share options

In September 2005, 650,000 share options and 12,675,000 share options respectively were exercised at an exercise price of HK$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK$0.10 each on 16 September 2005 and 26 September 2005 respectively for a total consideration (before expenses) of HK$4,530,000. These shares rank pari passu in all respects with other shares in issue.

(e) Issue of top up shares

Pursuant to the top up agreement dated 22 September 2005, a total of 145,000,000 top up shares of HK$0.10 each were issued to CIGL at the price of HK$0.40 each on 5 October 2005. The gross proceeds of HK$58,000,000 were used to pay part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006. These shares rank pari passu in all respects with other shares in issue.

33. CONVERTIBLE LOAN NOTE

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

The convertible loan note contains three components, embedded derivative for early redemption, liability and equity elements. The Directors 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* (see notes 2 and 3 for details), the convertible loan note was split between the liability (including embedded derivative for early redemption) and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible loan note equity reserve". The effective interest rate of the liability component is HIBOR plus a spread.

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

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

33. CONVERTIBLE LOAN NOTE (continued)

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

The fair value of the liability component of the convertible loan note at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, approximates its carrying amount.

34. MAJOR NON-CASH TRANSACTION

Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries, including the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group has not utilised any advertising and telecommunication services (2004: HK$1,786,000).

35. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

35. SHARE OPTION SCHEMES (continued)

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

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

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 75,455,644 shares, representing 5.46% of the issued share capital of the Company, as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

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

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

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

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

35. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

					Number of options								
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1/1/2004	adjusted on 24/4/2004 (Note 1)	reallocated upon change of directorate	lapsed in 2004 (Note 5)	outstanding as at 31/12/2004 and 1/1/2005	exercised in 2005 (Note 3)	granted in 2005 (Note 4)	lapsed in 2005 (Note 5)	outstanding as at 31/12/2005
Directors													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1)&(2)	8,160,000	2,448,000	(5,304,000)	(5,304,000)	–	–	–	–	–
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(1)	7,500,000	2,250,000	(1,625,000)	(8,125,000)	–	–	–	–	–
	2/12/2003	0.34	2/12/2003-30/11/2005	(1)	14,700,000	4,410,000	(6,370,000)	–	12,740,000	–	–	(12,740,000)	–
	2/12/2003	0.34	1/6/2004-31/5/2006	(1)&(2)	–	–	650,000	–	650,000	–	–	–	650,000
	6/10/2005	0.38	6/10/2005-31/10/2006	(4)	–	–	–	–	–	–	42,000,000	–	42,000,000
					30,360,000	9,108,000	(12,649,000)	(13,429,000)	13,390,000	–	42,000,000	(12,740,000)	42,650,000
Employees													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1)&((2)	2,040,000	612,000	5,304,000	(7,956,000)	–	–	–	–	–
	27/3/2001	0.83	1/10/2001-30/9/2004	(1)&((2)	754,800	220,320	–	(975,120)	–	–	–	–	–
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(1)	5,000,000	1,500,000	1,625,000	(8,125,000)	–	–	–	–	
	2/12/2003	0.34	2/12/2003-30/11/2005	(1)	4,900,000	1,470,000	6,370,000	(3,185,000)	9,555,000	–	–	(9,555,000)	–
	2/12/2003	0.34	1/6/2004-31/5/2006	(1)&((2)	17,750,000	5,115,000	(650,000)	(1,675,000)	20,540,000	(13,325,000)	–	(2,795,000)	4,420,000
	6/10/2005	0.38	6/10/2005-31/10/2006	(4)	–	–	–	–	–	–	33,000,000	–	33,000,000
					30,444,800	8,917,320	12,649,000	(21,916,120)	30,095,000	(13,325,000)	33,000,000	(12,350,000)	37,420,000
					60,804,800	18,025,320	–	(35,345,120)	43,485,000	(13,325,000)	75,000,000	(25,090,000)	80,070,000

35. SHARE OPTION SCHEMES (continued)

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

Notes:

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

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

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

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

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

(6) No option was cancelled during the year.

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

During the year ended 31 December 2005, options were granted on 6 October 2005 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK$162,500. No option granted during the year of 2004. During the year ended 31 December 2003, options were granted on 2 December 2003 and vested over two years. The estimated fair values of the options granted on that date are HK$720,000. HK$40,000 was charged to the profit or loss during the year ended 31 December 2005 while HK$680,000 was charged in the year ended 31 December 2003 and 31 December 2004.

35. SHARE OPTION SCHEMES (continued)

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

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

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

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 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 recognisd the total expenses of HK$203,000 for the year ended 31 December 2005 (2004: HK$219,000) in relation to share options granted by the Company.

(B) Share option scheme of CASH

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted a new share option scheme ("CASH Option Scheme"). The major terms of the CASH Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

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

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

35. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CASH (continued)

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

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

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

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

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

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

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

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

35. SHARE OPTION SCHEMES (continued)

(B) Share option scheme of CASH (continued)

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

				Number of options				
Name of scheme	Date of grant	Exercise price per share	Exercise period	outstanding as at 1/1/2004	reallocated upon change of directorate	outstanding as at 31/12/2004 and 1/1/2005	lapsed in 2005	outstanding as at 31/12/2005
		HK$						
CASH Option Scheme	2/12/2003	0.502	2/12/2003-30/11/2005	12,000,000	(2,000,000)	10,000,000	(10,000,000)	–

(C) Share option schemes of CRMG

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

(i) The purpose was to provide incentives to:

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

(ii) The participants of the CRMG New Option Scheme included any employee, director, consultant, adviser or agent of any member of the CASH Group including the CRMG Group as associated companies of the Group.

35. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of CRMG (continued)

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

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

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

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

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

35. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of CRMG (continued)

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

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

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

The following table discloses details of the share options granted by CRMG and held by the Directors and movements in such holdings:

					Number of options					
Name of scheme	Date of grant	Exercise price per share HK$	Exercise period	Notes	outstanding as at 1/1/2004	adjusted on 2/3/2004	reallocated upon change of directorate	adjusted on 11/9/2004	lapsed in 2004	outstanding as at 31/12/2004 and 31/12/2005
CRMG Old Option Scheme	17/1/2002	4.200	1/2/2002-31/1/2004		1,650,000	–	–	–	(1,650,000)	–
CRMG New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(1)&(2)	2,000,000	8,000,000	–	1,333,334	(11,333,334)	–
	2/12/2003	0.316	1/12/2004-30/11/2005	(1)&(2)	500,000	2,000,000	(2,500,000)	–	–	–
					4,150,000	10,000,000	(2,500,000)	1,333,334	(12,983,334)	–

Notes:

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

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

36. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") 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 the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the retirement benefits scheme charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$2,366,000 (2004: HK$1,903,000) and HK$316,000 (2004: HK$223,000) respectively for the year ended 31 December 2005.

37. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with fellow subsidiaries:

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

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

(c) During the year, the Group received interest from margin financing of approximately HK$8,700 (2004: HK$400,000) from certain wholly-owned subsidiaries of CASH. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(d) At 31 December 2005, the Group had amount of approximately HK$972,000 (2004: HK$2,048,000) due from a fellow subsidiary. The amount was unsecured, non-interest bearing and had no fixed repayment terms.

(e) During both years, compensation of key management personnel represents Directors' remuneration, as stated in note 11. The Directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

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

(g) During the year ended 31 December 2004, the Group paid interest on convertible loan note of approximately HK$1,278,000 to a wholly-owned subsidiary of CASH. The interest was calculated at a rate of 2% per annum.

(h) During the year ended 31 December 2004, CASH acted as an underwriter in the rights issue of the Company without receiving any fee or underwriting commission.

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

38. COMMITMENTS

(a) Underwriting commitment

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

(b) Capital commitment

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

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

39. OPERATING LEASE COMMITMENTS

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

	2005	2004
	HK$'000	HK$'000
Within one year	**6,582**	6,458
In the second to fifth year inclusive	**4,826**	10,609
	11,408	17,067

Operating lease payments represent rental payable by the Group for its office premises. Leases are mainly negotiated for an average term of four years and rentals are fixed for an average of three years.

40. CONTINGENT LIABILITIES

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 confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements.

41. POST BALANCE SHEET EVENTS

(a) Subsequent to 31 December 2005, the Group completed its acquisition of 100% of the Netfield Group. The transaction was completed on 10 January 2006 and the acquisition cost of HK$110,000,000 was satisfied in cash. Details of the acquisition are set out in the Company's circular dated 30 November 2005.

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

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

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

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

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CASH Asset Management Limited	Hong Kong	Ordinary HK$200,000	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	100	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	100	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$27,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$140,000,000	100	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
CASH Frederick Taylor Limited	Hong Kong	Ordinary HK$1,000,000	70	Financial advisory consultancy

The principal place of operation of the subsidiaries, which were incorporated in Hong Kong as shown above, is Hong Kong. CASH E-Trade Limited and icoupon Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

43. SUMMARISED BALANCE SHEET OF THE COMPANY

	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets		
Property and equipment	–	34
Investments in subsidiaries	**461,324**	461,324
Deposits for acquisition	**56,095**	–
	517,419	461,358
Current assets		
Amounts due from subsidiaries	**127,772**	102,620
Bank balances (general accounts)	**691**	894
	128,463	103,514
Current liabilities		
Accrued liabilities and other payables	**50**	300
Amounts due to subsidiaries	**323,273**	323,273
Convertible loan note – amount due within one year	**30,242**	–
	353,565	323,573
Net current liabilities	**(225,102)**	(220,059)
	292,317	241,299
Capital and reserves		
Share capital	**104,488**	75,456
Reserves	**187,829**	126,009
Total equity	**292,317**	201,465
Non-current liability		
Convertible loan note – amount due after one year	–	39,834
	292,317	241,299

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
		(Note ii)	(Note i and ii)	(Note i and ii)	(Note i and ii)
Revenue	**213,557**	239,972	191,102	195,736	89,534
Profit (Loss)					
Before taxation	**23,847**	21,162	10,169	(209,494)	(56,407)
Taxation credit (charge)	**3,440**	(350)	(134)	(3)	–
Profit (Loss) for the year	**27,287**	20,812	10,035	(209,497)	(56,407)
Attributable to:					
Equity holders of the Company	**26,626**	20,388	9,798	(209,497)	(56,407)
Minority interests	**661**	424	237	–	–
	27,287	20,812	10,035	(209,497)	(56,407)

ASSETS AND LIABILITIES

	As at 31 December				
	2005	2004	2003	2002	2001
	HK$'000	HK$'000 (restated) (Note ii)	HK$'000 (restated) (Note i and ii)	HK$'000 (restated) (Note i and ii)	HK$'000 (restated) (Note i and ii)
Property and equipment	**12,218**	20,725	29,501	48,547	73,839
Goodwill	**4,933**	4,933	5,903	–	100,629
Intangible assets	**11,062**	9,092	10,922	12,752	14,582
Other non-current assets	**63,781**	30,087	12,187	17,109	64,421
Current assets	**1,058,971**	963,338	990,098	560,042	799,319
Total assets	**1,150,965**	1,028,175	1,048,611	638,450	1,052,790
Current liabilities	**792,717**	748,027	805,193	466,251	610,202
Long term borrowings	**159**	–	56	244	749
Non-current convertible loan notes	**–**	39,834	124,065	197,917	257,481
Interest payable on convertible loan notes	**–**	–	–	–	1,779
Total liabilities	**792,876**	787,861	929,314	664,412	870,211
Net assets (liabilities)	**358,089**	240,314	119,297	(25,962)	182,579
Minority interests	**1,471**	810	386	–	–

Note:

(i) By 31 December 2003, loss on trading of securities, options and futures were classified as one of the items in revenue. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the revenue of these prior years have been adjusted to reflect the reclassification.

(ii) In the current year, the Group has adopted the new HKFRSs which resulted in changes in accounting policies for the current and prior accounting years. The financial summary for prior years have been adjusted to take up the retrospective effects on HKFRS 2 *Share-based payment* (for share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005) and HKAS 32 *Financial Instruments: Disclosure and Presentation*.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CASH Financial Services Group Limited ("Company") will be held at Salon 6, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 29 May 2006, Monday, at 9:30 am for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2005.

2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors' remuneration.

3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

   A. **THAT**

      (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

      (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

B. **THAT**

(a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Growth Enterprise Market ("GEM") of the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on GEM or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

C. **THAT** conditional upon resolutions nos.4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.4B above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.4A above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

THAT conditional on the Listing Committee of the GEM of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 31 March 2006

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The biographical details of Mr Kwan Pak Hoo Bankee, Mr Wong Kin Yick Kenneth, Mr Law Ping Wah Bernard, Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, being Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 31 March 2006.

4. A form of proxy for use at the meeting is enclosed.