

Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on 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 Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 12.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as the "New HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these New HKFRSs but is not yet in a position to determine whether these New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These New HKFRSs may result in changes on how the results and financial position are prepared and presented in future.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisitions of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost or valuation less depreciation and amortisation, and accumulated impairment losses, if any.

Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

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

Leasehold land	Over the lease terms
Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	5 years

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Statement of Standard Accounting Practice ("SSAP"), in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease terms.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Club memberships

Club memberships are stated at cost less any identified impairment loss.

Revenue recognition

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

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 of income or expense that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases 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 negative 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 differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit 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 is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rate for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's reserves. Such translation differences are recognised as an income or as an expense in the period in which the operation is disposed of.

Retirement benefits costs

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

4. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the invoiced value of sales of furniture and household goods, net of discounts and returns.

The Group's turnover is substantially derived from the retailing activity carried out in Hong Kong. Accordingly, no analysis by business and geographical segments is presented.

Notes to the Financial Statements

For the year ended 31 December 2004

5. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities has been arrived at after charging (crediting):

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Allowance for amounts due from trade debtors (included in other operating expenses)	1,224	–
Allowance for amounts due from other debtors (included in other operating expenses)	5,046	–
Allowance for inventory obsolescence and write off of inventories (included in cost of sales)	19,041	6,493
Auditors' remuneration	850	736
Depreciation and amortisation of property and equipment		
Owned assets	26,137	29,511
Leased assets	168	205
	26,305	29,716
Loss on disposal of property and equipment	4,646	577
Operating lease rentals in respect of land and buildings		
Minimum lease payments	109,140	106,702
Contingent rents	3,233	2,390
	112,373	109,092
Staff costs (including Directors' remuneration)		
Wages and salaries	89,050	90,642
Redundancy costs	2,000	–
Contributions to retirement benefits scheme	3,917	3,893
	94,967	94,535
Net realised and unrealised (gain) loss on trading of securities	(523)	4,447
Interest income	(73)	(611)
Net foreign exchange gain	(7)	(372)
Surplus on revaluation of leasehold land and buildings	(2,658)	(5,733)

Notes to the Financial Statements

For the year ended 31 December 2004

6. FINANCE COSTS

	THE GROUP 2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,028	2,771
Finance leases	10	31
	3,038	2,802

7. DIRECTORS' REMUNERATION

	THE GROUP 2004 HK\$'000	2003 HK\$'000
Fees:		
Executive Directors	-	-
Independent non-executive Directors	200	100
Other remuneration paid to Executive Directors:		
Salaries, allowances and other benefits	2,049	2,087
Contributions to retirement benefits scheme	48	43
Performance related incentive payments	-	21
Total remuneration	2,297	2,251

The remuneration of Directors fell within the following bands:

	THE GROUP 2004 Number of Directors	2003 Number of Directors
HK\$1,000,000 or less	11	12

During the year, 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 the year.

Notes to the Financial Statements

For the year ended 31 December 2004

8. EMPLOYEES' REMUNERATION

The five highest paid employees included three (2003: three) Directors of the Company, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2003: two) individuals for the year are as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	879	1,907
Contributions to retirement benefits scheme	22	34
	901	1,941

Their remuneration were within the following band:

	2004	2003
	Number of	Number of
	employees	employees
HK\$1,000,000 or less	2	2

Notes to the Financial Statements

For the year ended 31 December 2004

9. TAXATION

No provision for Hong Kong Profits Tax was made in the financial statements as the Group had no assessable profits for both years.

The charge for the year represents underprovision of taxation in prior years.

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

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(82,611)	(29,925)
Taxation at income tax rate of 17.5%	(14,457)	(5,237)
Tax effect of income not taxable for tax purpose	(468)	(1,111)
Tax effect of expenses not deductible for tax purpose	4,857	1,519
Tax effect of estimated tax loss not recognised	10,068	4,829
Underprovision of taxation in prior years	6	-
Taxation charge for the year	6	-

Notes to the Financial Statements

For the year ended 31 December 2004

9. TAXATION (continued)

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 January 2003	(3,717)	3,717	–
Charge (Credit) to income statement	2,236	(2,236)	–
Effect of change in tax rate	(348)	348	–
At 31 December 2003 and 1 January 2004	(1,829)	1,829	–
(Credit) charge to income statement	(708)	708	–
At 31 December 2004	(2,537)	2,537	–

At the balance sheet date, the Group had unused estimated tax losses of HK\$153,808,000 (2003: HK\$92,227,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$14,497,000 (2003: HK\$10,451,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK\$139,311,000 (2003: HK\$81,776,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2004

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2004 together with the comparative figures for 2003 are calculated as follows:

	2004 HK\$'000	2003 HK\$'000
Loss for the purpose of basic and diluted loss per share	(82,617)	(29,925)
Weighted average number of ordinary shares for the purpose of basic loss per share	615,420,641	583,532,442
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	615,420,641	583,532,442

The weighted average number of ordinary shares for the year ended 31 December 2003 for the purpose of basic and diluted loss per share has been adjusted for the rights issue which was completed on 30 September 2004.

The calculation of diluted loss per share did not assume the exercise of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

Notes to the Financial Statements

For the year ended 31 December 2004

11. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor Vehicles HK\$'000	Total HK\$'000
THE GROUP					
COST OR VALUATION					
At 1 January 2004	36,000	83,947	136,189	3,551	259,687
Surplus on revaluation	1,000	-	-	-	1,000
Additions	-	4,967	15,059	-	20,026
Acquired on acquisition of subsidiaries	4,600	11	803	-	5,414
Disposals	-	(12,531)	(11,006)	(220)	(23,757)
At 31 December 2004	41,600	76,394	141,045	3,331	262,370
ACCUMULATED DEPRECIATION AND AMORTISATION AND IMPAIRMENT					
At 1 January 2004	-	58,322	95,304	2,029	155,655
Provided during the year	1,658	10,003	14,181	463	26,305
Written back on revaluation	(1,658)	-	-	-	(1,658)
Impairment loss recognised in the income statement	-	899	1,161	-	2,060
Eliminated on disposals	-	(10,077)	(8,824)	(81)	(18,982)
At 31 December 2004	-	59,147	101,822	2,411	163,380
NET BOOK VALUES					
At 31 December 2004	41,600	17,247	39,223	920	98,990
At 31 December 2003	36,000	25,625	40,885	1,522	104,032
Analysis of cost or valuation:					
At cost	-	76,394	141,045	3,331	220,770
At valuation	41,600	-	-	-	41,600
	41,600	76,394	141,045	3,331	262,370

Notes to the Financial Statements

For the year ended 31 December 2004

11. PROPERTY AND EQUIPMENT (continued)

During the year, the Directors reassessed the recoverable amount of the property and equipment of those shops of which their tenancy agreements would be expired in 2005 and would not be renewed and recognised an impairment loss of approximately HK\$2,060,000 (2003: nil).

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

The Group has pledged the leasehold land and buildings having a net book value of HK\$37,000,000 (2003: HK\$36,000,000) to secure general banking facilities granted to the Group.

The leasehold land and buildings having a net book value of HK\$37,000,000 (2003: HK\$36,000,000) were revalued on 31 December 2004 at HK\$37,000,000 (2003: HK\$36,000,000) by Knight Frank, independent professional valuers, on an open market existing use basis. The resulting surplus of HK\$2,658,000 (2003: HK\$5,733,000) arising from the revaluation which reverses a previous revaluation decrease on the same asset was credited to the income statement in accordance with the accounting policy set out in note 3.

In the opinion of the Directors, the leasehold land and buildings having a net book value of HK\$4,600,000 (2003: nil) as at 31 December 2004 represented the fair value of that leasehold land and buildings as at 31 December 2004, which was determined with reference to the valuation as set out in the valuation report issued by DTZ Debenham Tie Leung, independent professional valuers, for the open market value as at 31 August 2004 on an open market existing use basis. After making due enquiry, the Directors were satisfied that the value at 31 August 2004 was not materially different from that at 31 December 2004.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation and amortisation, their carrying value would have been approximately HK\$68,302,000 (2003: HK\$66,450,000).

The net book value of motor vehicles of HK\$920,000 include an amount of HK\$334,000 (2003: HK\$641,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2004

11. PROPERTY AND EQUIPMENT (continued)

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
THE COMPANY			
COST OR VALUATION			
At 1 January 2004	36,000	2,540	38,540
Surplus on revaluation	1,000	–	1,000
At 31 December 2004	37,000	2,540	39,540
ACCUMULATED DEPRECIATION AND AMORTISATION			
At 1 January 2004	–	1,109	1,109
Provided during the year	1,623	508	2,131
Written back on revaluation	(1,623)	–	(1,623)
At 31 December 2004	–	1,617	1,617
NET BOOK VALUES			
At 31 December 2004	37,000	923	37,923
At 31 December 2003	36,000	1,431	37,431
Analysis of cost or valuation:			
At cost	–	2,540	2,540
At valuation	37,000	–	37,000
	37,000	2,540	39,540

Notes to the Financial Statements

For the year ended 31 December 2004

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	32,607	32,607
Impairment loss recognised	(26,000)	(26,000)
	6,607	6,607
Amounts due from subsidiaries	288,381	247,579
Allowance for amounts due from subsidiaries	(191,000)	(113,000)
	97,381	134,579
	103,988	141,186

The balances with subsidiaries are unsecured and interest-free. In the opinion of the Directors, the amounts will not be repaid in the next twelve months.

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Notes to the Financial Statements

For the year ended 31 December 2004

12. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
3C Digital Limited	Hong Kong	Ordinary HK\$100	60%	Retailing of digital products and electrical appliances
Cosmos Global Limited	Hong Kong	Ordinary HK\$2	100%	Wholesale and retailing of branded household products
E-Tailer Holding Limited	British Virgin Islands	Ordinary US\$1	100%	Trading of securities
Pricerite Stores Limited ("PSL")	Hong Kong	Ordinary HK\$5,001,000	100%	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK\$2	100%	Retailing of furniture and household goods through a website

The principal place of operation of the subsidiaries is Hong Kong. All the subsidiaries showed above are indirectly held by the Company.

Notes to the Financial Statements

For the year ended 31 December 2004

13. GOODWILL

	THE GROUP HK\$'000
COST	
Arising on acquisition of subsidiaries	1,863
IMPAIRMENT	
Impairment loss recognised in the income statement	1,863
NET BOOK VALUE	
At 31 December 2004	—

Due to continuous losses incurred by the subsidiaries principally engaging in wholesale and retailing of branded household products, the Directors reassessed the recoverable amount of the goodwill arising on acquisition of these subsidiaries and recognised an impairment loss of HK\$1,863,000.

14. OTHER ASSETS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Club memberships	1,760	—
Prepayment for advertising and telecommunication services	2,931	12,358
Less: Amount classified as current assets and included in prepayments, deposits and other receivables	(2,931)	(5,000)
	1,760	7,358

Notes to the Financial Statements

For the year ended 31 December 2004

15. INVENTORIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Finished goods held for sale	59,013	58,507

Finished goods of nil (2003: HK\$564,000) are carried at net realisable value.

16. ACCOUNTS RECEIVABLE

The Group allows an average credit period of 30 – 90 days to trade debtors.

The aged analysis of accounts receivable at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	985	5,808
31-60 days	430	103
61-90 days	144	5
Over 90 days	297	32
	1,856	5,948

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Equity trading securities listed on the Stock Exchange, at market value	19,083	12,565

Notes to the Financial Statements

For the year ended 31 December 2004

18. PLEDGED BANK DEPOSITS

The GROUP

The bank deposits were pledged to banks to secure general banking facilities granted to subsidiaries.

19. ACCOUNTS PAYABLE

The aged analysis of accounts payable at the balance sheet date is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-30 days	94,520	66,118
31-60 days	40,880	42,636
61-90 days	21,203	41,761
Over 90 days	11,481	22,089
	168,084	172,604

Notes to the Financial Statements

For the year ended 31 December 2004

20. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases				
Within one year	32	321	30	310
In the second to fifth year inclusive	-	71	-	70
	32	392	30	380
Less: Future finance charges	2	12	-	-
Present value of lease obligations	30	380	30	380
Less: Amount due for payment within one year			30	310
Amount due for payment after one year			-	70

The Group leased certain of its motor vehicles under finance leases. The average lease term is 3 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and are secured by guarantees given by a subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2004

21. BANK BORROWINGS, SECURED

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Bank overdrafts	23	1,698
Trust receipt loans	57,200	60,982
Bank loan	21,137	25,500
	78,360	88,180

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
On demand or within one year	62,495	68,680
More than one year, but not exceeding two years	5,440	6,000
More than two years, but not exceeding five years	10,425	13,500
	78,360	88,180
Less: Amount due within one year shown under current liabilities	(62,495)	(68,680)
Amount due after one year	15,865	19,500

The bank borrowings bear interest at commercial rates.

At 31 December 2004, the Group's bank borrowings and other banking facilities of the Group were secured by:

- (i) pledge of the Group's certain leasehold land and buildings;
- (ii) pledge of approximately HK\$36,002,000 (2003: HK\$20,000,000) bank deposits; and
- (iii) guarantees given by the Company.

Notes to the Financial Statements

For the year ended 31 December 2004

22. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.10 each at 1 January 2003		3,000,000	300,000
Reduced due to share consolidation		(2,850,000)	–
Reduced due to capital reduction		–	(285,000)
Cancellation of unissued share capital		(46,161)	(4,616)
Increase during the year		46,161	4,616
<hr/>			
Ordinary shares of HK\$0.10 each at 31 December 2003 and 1 January 2004		150,000	15,000
Share subdivision	(a)	600,000	–
<hr/>			
Ordinary shares of HK\$0.02 each at 31 December 2004		750,000	15,000
<hr/>			
Issued and fully paid:			
Ordinary shares of HK\$0.10 each at 1 January 2003		2,076,777	207,678
Reduced due to share consolidation		(1,972,938)	–
Reduced due to capital reduction		–	(197,294)
<hr/>			
Ordinary shares of HK\$0.10 each at 31 December 2003 and 1 January 2004		103,839	10,384
Share subdivision	(a)	426,555	–
Issue of shares due to rights issue	(b)	133,299	2,666
Exercise of share options	(c)	3,000	284
<hr/>			
Ordinary shares of HK\$0.02 each at 31 December 2004		666,693	13,334
<hr/>			

Notes to the Financial Statements

For the year ended 31 December 2004

22. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to an ordinary resolution passed on 1 March 2004, the Company's issued and unissued shares of HK\$0.10 each were subdivided into 5 new shares of HK\$0.02 each ("Share Subdivision"). The Share Subdivision took effect on 2 March 2004.
- (b) On 30 September 2004, 133,298,562 shares of HK\$0.02 each were issued by way of a rights issue at a subscription price of HK\$0.35 per share.
- (c) (i) In January 2004, 2,800,000 share options were exercised at the exercise price of HK\$1.79 per share, resulting in the issue of 2,800,000 shares of HK\$0.10 each for a total consideration (before expenses) of HK\$5,012,000 on 19 January 2004.
- (ii) In October 2004, 200,000 share options were exercised at the exercise price of HK\$0.316 per share, resulting in the issue of 200,000 shares of HK\$0.02 each for a total consideration (before expenses) of HK\$63,200 on 8 November 2004.

Notes to the Financial Statements

For the year ended 31 December 2004

23. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000 (Note (a))	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
At 1 January 2003	50,511	–	6,055	(51,987)	4,579
Reduction of share premium transferred to contributed surplus	(50,511)	50,511	–	–	–
Amount transferred to write off accumulated losses	–	(76,863)	–	76,863	–
Capital reduction	–	197,294	–	–	197,294
Net loss for the year	–	–	–	(29,925)	(29,925)
At 31 December 2003 and 1 January 2004	–	170,942	6,055	(5,049)	171,948
Issue of rights shares	43,989	–	–	–	43,989
Issue of new shares due to exercise of share options	4,791	–	–	–	4,791
Share issue expenses	(1,149)	–	–	–	(1,149)
Net loss for the year	–	–	–	(82,617)	(82,617)
At 31 December 2004	47,631	170,942	6,055	(87,666)	136,962

Notes to the Financial Statements

For the year ended 31 December 2004

23. RESERVES (continued)

	Share premium HK\$'000 (Note (c))	Contributed surplus HK\$'000 (Note (b))	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1 January 2003	50,511	31,029	(76,863)	4,677
Reduction of share premium transferred to contributed surplus	(50,511)	50,511	–	–
Amount transferred to write off accumulated losses	–	(76,863)	76,863	–
Capital reduction	–	197,294	–	197,294
Net loss for the year	–	–	(33,420)	(33,420)
At 31 December 2003 and 1 January 2004	–	201,971	(33,420)	168,551
Issue of rights shares	43,989	–	–	43,989
Issue of new shares due to exercise of share options	4,791	–	–	4,791
Share issue expenses	(1,149)	–	–	(1,149)
Net loss for the year	–	–	(79,207)	(79,207)
At 31 December 2004	47,631	201,971	(112,627)	136,975

Notes:

- (a) The capital reserve of the Group represents the difference between the nominal value of the share capital of Pricerite BVI Limited acquired pursuant to the group reorganisation and the nominal value of the issued share capital of the Company issued in exchange thereof.
- (b) The contributed surplus of the Company represents the difference between the consolidated net asset value of Pricerite BVI Limited on 21 January 1994 when its entire issued share capital was acquired by the Company pursuant to the group reorganisation, and the nominal amount of the Company's share issued in consideration for such acquisition, and the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses.
- (c) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

Notes to the Financial Statements

For the year ended 31 December 2004

23. RESERVES (continued)

- (d) Under the Companies Act 1981 of Bermuda, the contributed surplus of a company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:
 - (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Notes to the Financial Statements

For the year ended 31 December 2004

24. ACQUISITION OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
NET ASSETS ACQUIRED		
Property and equipment	5,414	–
Other assets	1,760	–
Inventories	5,883	–
Accounts receivable	1,682	–
Prepayments, deposits and other receivables	1,652	–
Amount due from a wholly-owned subsidiary of CASH	9,678	–
Bank balances and cash	288	–
Accounts payable	(6,273)	–
Accrued liabilities and other payables	(136)	–
Amounts due to CASH and its subsidiaries	(11,371)	–
Bank overdraft	(762)	–
	7,815	–
Goodwill	1,863	–
	9,678	–
SATISFIED BY		
Cash	9,678	–
CASH OUTFLOW ARISING ON ACQUISITION		
Cash consideration	(9,678)	–
Bank balances and cash acquired	288	–
Bank overdraft acquired	(762)	–
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(10,152)	–

The subsidiaries acquired during the year contributed approximately HK\$3,164,000 to the Group's turnover and approximately a loss of HK\$8,150,000 to the Group's loss from operating activities.

Notes to the Financial Statements

For the year ended 31 December 2004

25. 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 21 January 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to CASH and its subsidiaries, including the Group and CASH Financial Services Group Limited ("CFSG") and its subsidiaries ("CFSG Group") (together "CASH Group"); or
 - attract potential candidates to serve the Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 53,319,425 shares, representing 7.1% 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.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

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

- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of Directors and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of Directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
- (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.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

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

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

Name of scheme	Date of grant	Exercise price per share (HK\$)	Exercise period	Notes	Number of options										
					outstanding as at 1/1/2003	adjusted on 6/5/2003	lapsed in 2003	granted in 2003	outstanding as at 31/12/2003 and 1/1/2004	adjusted on 2/3/2004	adjusted on 11/9/2004	exercised during the year	cancelled in 2004	lapsed in 2004	outstanding as at 31/12/2004
					(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Directors															
Old Option Scheme	12/6/2001	4.200	16/6/2001-15/6/2003	(1)	21,600,000	(20,520,000)	(1,080,000)	-	-	-	-	-	-	-	-
	17/1/2002	4.200	1/2/2002-31/1/2004	(1)	71,500,000	(65,550,000)	(3,750,000)	-	2,200,000	-	-	-	-	-	(2,200,000)
New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(2)&(3)	-	-	-	3,000,000	3,000,000	12,000,000	2,000,000	(200,000)	(5,466,666)	(11,333,334)	-
	2/12/2003	0.316	1/12/2004-30/11/2005	(2)&(3)	-	-	-	3,000,000	3,000,000	12,000,000	2,000,000	-	-	-	17,000,000
					93,100,000	(86,070,000)	(4,830,000)	6,000,000	8,200,000	24,000,000	4,000,000	(200,000)	(5,466,666)	(13,533,334)	17,000,000
Employees															
Old Option Scheme	12/6/2000	6.400	13/6/2000-12/6/2003	(1)&(4)	3,519,000	(3,035,250)	(483,750)	-	-	-	-	-	-	-	-
	17/1/2002	4.200	1/2/2002-31/1/2004	(1)	30,000,000	(28,500,000)	-	-	1,500,000	-	-	-	-	-	(1,500,000)
New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(2)&(3)	-	-	-	2,800,000	2,800,000	-	-	(2,800,000)	-	-	-
	2/12/2003	0.316	1/12/2004-30/11/2005	(2)&(3)	-	-	-	1,500,000	1,500,000	6,000,000	1,000,000	-	-	-	8,500,000
					33,519,000	(31,535,250)	(483,750)	4,300,000	5,800,000	6,000,000	1,000,000	(2,800,000)	-	(1,500,000)	8,500,000
					126,619,000	(117,605,250)	(5,313,750)	10,300,000	14,000,000	30,000,000	5,000,000	(3,000,000)	(5,466,666)	(15,033,334)	25,500,000

Notes:

- (1) The number and the exercise price of options which remained outstanding on 6 May 2003 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from 6 May 2003. The exercise price per share was adjusted from HK\$0.21 to HK\$4.20 and from HK\$0.32 to HK\$6.40.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of the Company 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.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

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

- (3) 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 11 September 2004. The exercise price was adjusted from HK\$0.358 to HK\$0.316.
- (4) The options are vested in 3 tranches as to (i) 1/3 exercisable from the commencement of the exercise period; (ii) 1/3 exercisable from the expiry of 12 months from the commencement of the exercise period; and (iii) 1/3 exercisable from the expiry of 24 months from the commencement of the exercise period.
- (5) On 7 January 2004 and 29 October 2004, 2,800,000 share options and 200,000 shares options were exercised at the exercise price of HK\$1.79 per share and HK\$0.316 per share respectively. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$2.18 per share (before adjustments of share subdivision and rights issue occurred during the year) and HK\$0.345 per share respectively.
- (6) On 3 November 2004, 5,466,666 share options were cancelled. The exercise price of the cancelled options was HK\$0.316 per share.
- (7) The lapsed options were due to expiry or cessation of directorship or employment of participants with the Group.
- (8) No option was granted during the year.

The exercise in full of the outstanding 25,500,000 share options at 31 December 2004 would, under the present capital structure of the Company, result in the issue of 25,500,000 additional shares for a total cash consideration, before expenses, of approximately HK\$8,058,000.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted the share option scheme ("CASH New Option Scheme") to replace the share option scheme adopted on 29 March 1994 ("CASH Old Option Scheme"). All the options granted under the CASH Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CASH Old Option Scheme. The major terms of the CASH New Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the CASH Group; or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CASH New Option Scheme must not exceed 10% of the issued share capital of CASH as at the date of approval of the CASH 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 CASH 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 CASH 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.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of 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 New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(B) Share option schemes 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:

Name of scheme	Date of grant	Exercise price per share (HK\$)	Exercise period	Note	Number of options							
					outstanding as at 1/1/2003	granted in 2003	lapsed in 2003	reallocated upon change in directorate in 2003	outstanding as at 31/12/2003 and 1/1/2004	reallocated upon change in directorate in 2004	outstanding as at 31/12/2004	
Directors												
CASH Old Option Scheme	6/11/2000	5.400	16/5/2001-15/5/2003	(1)	1,000,000	-	(1,000,000)	-	-	-	-	-
	31/8/2001	2.600	1/3/2002-28/2/2004	(1)	1,500,000	-	-	-	1,500,000	(1,500,000)	-	-
CASH New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003	(1)	13,500,000	-	(13,500,000)	-	-	-	-	-
	2/5/2002	1.320	1/11/2002-31/10/2003		200,000	-	(200,000)	-	-	-	-	-
	2/12/2003	0.502	2/12/2003-30/11/2005		-	13,000,000	-	(3,000,000)	10,000,000	-	(3,000,000)	7,000,000
					16,200,000	13,000,000	(14,700,000)	(3,000,000)	11,500,000	(1,500,000)	(3,000,000)	7,000,000

Note:

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

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of CFSG

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the CASH Group; or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CFSG New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CFSG New Option Scheme and any other share option scheme must not exceed 30% of the 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 CFSG New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of CFSG (continued)

- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CFSG and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of CFSG upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to CFSG.
- (viii) The exercise price of an option must be the highest of:
 - the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the CFSG New Option Scheme is effective from 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2004

25. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of CFSG (continued)

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

Name of scheme	Date of grant	Exercise price per share (HK\$)	Exercise period	Notes	Number of options							
					outstanding as at 31/12/2004		outstanding as at 31/12/2003		reallocated upon change in directorate		outstanding as at 31/12/2004	
					and 1/1/2004	adjusted on 4/11/2003	and 31/12/2003	and 24/4/2004	lapsed in 2004	and 31/12/2004		
Directors												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	1,500,000	1,560,000	-	3,060,000	918,000	-	(3,978,000)	-
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(2)	-	-	3,750,000	3,750,000	1,125,000	-	(4,875,000)	-
	2/12/2003	0.34	2/12/2003-30/11/2005	(2)	-	-	9,800,000	9,800,000	2,940,000	(3,185,000)	-	9,555,000
	2/12/2003	0.34	1/6/2004-31/5/2006	(2)&(3)	-	-	1,000,000	1,000,000	300,000	-	-	1,300,000
					1,500,000	1,560,000	14,550,000	17,610,000	5,283,000	(3,185,000)	(8,853,000)	10,855,000

Notes:

- (1) The number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in CFSG with effect from 4 November 2003. The exercise price per share was adjusted from HK\$2.20 to HK\$1.08.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in CFSG with effect from 24 April 2004. The exercise prices per share were adjusted from HK\$1.08 to HK\$0.83, from HK\$0.60 to HK\$0.46 and from HK\$0.44 to HK\$0.34.
- (3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

Notes to the Financial Statements

For the year ended 31 December 2004

26. COMMITMENTS

(a) Operating lease commitments

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	80,835	103,334
In the second to fifth year inclusive	81,259	122,930
After five years	-	252
	162,094	226,516

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

(b) Capital commitments

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of property and equipment contracted for but not provided in the financial statements	-	216

Notes to the Financial Statements

For the year ended 31 December 2004

26. COMMITMENTS (continued)

(c) Forward foreign exchange contracts

At the balance sheet date, the Group had the following notional amounts of forward foreign exchange contracts:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Buying of Euro	-	107
Buying of Japanese yen	-	77
Selling of Japanese yen	-	77
	-	261

27. CONTINGENT LIABILITIES

- (a) In prior year, Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, PSL as a second defendant, alleging that PSL had agreed to appoint Bates HK as its advertising agent with monthly retainer fee in the sum of HK\$320,000 payable to Bates HK. PSL had not appointed Bates HK as its advertising agent and no agreement of whatever nature, oral or written, had been entered into between PSL and Bates HK to such effect. The Directors do not envisage the claim by Bates HK will be held valid. Accordingly, no provision was made in the financial statements.
- (b) In prior year, Bates China Limited ("Bates China") filed a statement of claim against, inter alia, the Company as a second defendant, alleging that the Company had agreed to appoint Bates China as its advertising agent with monthly retainer fee in the sum of HK\$150,500 payable to Bates China. The Company had not appointed Bates China as its advertising agent and no agreement of whatever nature, oral or written, had been entered into between the Company and Bates China to such effect. The Directors do not envisage the claim by Bates China will be held valid. Accordingly, no provision was made in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2004

27. CONTINGENT LIABILITIES (continued)

- (c) In prior year, Chan Pit Wah (“Chan”) filed a statement of damages against PSL alleging that a forklift truck of PSL rolled over Chan’s right foot and he has claimed for damages of approximately HK\$1,780,000 with interest and costs thereof. During the year ended 31 December 2004, the Group made a provision of HK\$570,000. No provision was made for the remaining amount as in the opinion of the legal advisor, it is not practicable at this stage to determine with certainty the amount of damages to be awarded to the plaintiff.
- (d) During the year, Innovision Products Limited (“Innovision”) filed a statement of claim against PSL alleging that PSL owed Innovision of approximately HK\$520,000 in respect of goods supplied to PSL and the interest on the said amount. An amount of approximately HK\$249,000 has been recognised in the financial statements. No provision for the remaining amount has been made in the financial statements as in the opinion of the Directors, the amount of the potential liability is not significant.
- (e) The Company had contingent liabilities in respect of guarantees given to banks to secure the banking facilities granted to subsidiaries amounting to approximately HK\$217,423,000 (2003: HK\$169,452,000). The extent of these banking facilities utilised by the subsidiary amounted to approximately HK\$78,435,000 (2003: HK\$87,209,000) at the balance sheet date.
- (f) The Company had contingent liabilities in respect of guarantees given to a landlord to secure the payments of rental by a subsidiary under the rental agreements. At the balance sheet date, the rental payable in the remaining term of the leases under these rental agreements amounted to HK\$1,581,000 (2003: HK\$11,321,000).

Notes to the Financial Statements

For the year ended 31 December 2004

28. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered 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 schemes charged to the income statement amounted to approximately HK\$3,917,000 (2003: HK\$3,893,000) for the year ended 31 December 2004.

29. MAJOR NON-CASH TRANSACTIONS

Pursuant to the agreement entered into between CASH and a third party in 2002, 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 utilised advertising and telecommunication services amounting to approximately HK\$9,427,000 (2003: HK\$8,954,000).

Notes to the Financial Statements

For the year ended 31 December 2004

30. RELATED PARTY TRANSACTIONS

At the balance sheet date, the Group had amount of approximately HK\$6,920,000 (2003: HK\$15,366,000) due from a wholly-owned subsidiary of CASH which was unsecured, non-interest bearing and had no fixed terms of repayment.

In addition, during the year, the Group entered into the following transactions with related parties:

	Notes	2004 HK\$'000	2003 HK\$'000
CASH and its wholly-owned subsidiaries:			
Advertising fee received	(i)	-	990
Store display income	(ii)	-	1,000
Sponsorship fee received	(iii)	-	1,000
Promotion fee received	(iv)	-	300
Services fees received	(v)	-	2,251
Sales of goods	(vi)	2,974	1,108
Sales of cash coupons	(vii)	-	2,780
Sales of cash coupons issued by a third party	(viii)	-	3,750
Transfer of prepayment for advertising and telecommunication services	(ix)	-	990
Disposal of a subsidiary	(x)	-	92
Acquisition of subsidiaries	(xi)	9,678	-
Directors' remuneration paid	(xii)	2,297	2,251
Purchase of goods	(xiii)	4,462	2,883
Agency fee paid	(xiv)	-	56
Rental expenses paid	(xv)	998	-
The CFSG Group:			
Rental income	(xvi)	-	960
Purchase of a motor vehicle	(xvii)	-	250
Transfer of prepayment for advertising and telecommunication services	(xviii)	130	-
Sales of cash coupons	(xix)	101	-
Underwriting commission paid	(xx)	390	-

Notes to the Financial Statements

For the year ended 31 December 2004

30. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) The Group received advertising income from a wholly owned-subsiary of CASH. The amount was charged at a price agreed between the parties.
- (ii) The Group received store display income from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (iii) The Group received sponsorship fee from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (iv) The Group received promotion fee from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (v) A subsidiary of the Group performed certain sales and marketing services to wholly-owned subsidiaries of CASH for which services fees were charged, being an allocation of costs incurred by the Group.
- (vi) The Group sold goods at cost to wholly-owned subsidiaries of CASH.
- (vii) The Group sold cash coupons issued by PSL to a wholly-owned subsidiary of CASH at their face values.
- (viii) The Group sold cash coupons issued by a third party to a wholly-owned subsidiary of CASH at their face values.
- (ix) The Group transferred prepayment for advertising and telecommunication services to a wholly-owned subsidiary of CASH at a consideration of HK\$990,000. The amount was charged at a price agreed between the parties.
- (x) The Group disposed of 100% of the issued share capital of and the shareholder's loan to Cosmos Global Limited of approximately HK\$92,000 at a total cash consideration of HK\$92,000 in accordance with the agreement dated 15 April 2003 entered into between the Group and a wholly-owned subsidiary of CASH.
- (xi) The Group acquired 100% of the issued share capital of and the interest-free shareholder's loan to Cosmo Global Assets Limited of approximately HK\$9,678,000 at a total cash consideration of HK\$9,678,000 in accordance with the agreement dated 3 November 2004 entered into between the Group and a wholly-owned subsidiary of CASH.
- (xii) Directors' remuneration was charged to the Group by the CASH Group based on the estimated time spent by the Directors on the management of the Group.

Notes to the Financial Statements

For the year ended 31 December 2004

30. RELATED PARTY TRANSACTIONS (continued)

- (xiii) The Group purchased goods from wholly-owned subsidiaries of CASH. The amount was charged at a price agreed between the parties.
- (xiv) The Group paid agency fee to a wholly-owned subsidiary of CASH. The amount was charged at 1% on the selling price of goods in accordance with the agency agreement entered into between the Group and the wholly-owned subsidiary of CASH.
- (xv) The Group paid rental expenses to a wholly-owned subsidiary of CASH. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of CASH by the head landlord with reference to the floor area occupied by the Group.
- (xvi) The Group received rental income from the CFSG Group. The amount was at a price agreed between the parties.
- (xvii) The Group purchased a motor vehicle from CFSG Group. The amount was at a price agreed between the parties.
- (xviii) The Group transferred prepayment for advertising and telecommunication services to CSFG Group at a consideration of HK\$130,000 (2003: nil). The amount was charged at a price agreed between the parties.
- (xix) The Group sold cash coupons issued by PSL to CFSG Group at their face values.
- (xx) The Group paid underwriting commission to CFSG Group. The amount was calculated at 2.5% on the total proceeds from the rights issue of the Company's shares.

Notes to the Financial Statements

For the year ended 31 December 2004

31. POST BALANCE SHEET EVENTS

- (a) On 23 March 2005, the Company and two subscribers entered into agreements pursuant to which the subscribers agreed to subscribe for a total of 83,000,000 new ordinary shares of HK\$0.02 each at the subscription price of HK\$0.28 per share. The net proceeds of approximately HK\$23.2 million will be used as general working capital for the Group.

- (b) On 4 April 2005, the Company and a placing agent entered into an agreement pursuant to which the Company agreed to issue and the placing agent agreed to procure placees to subscribe for a maximum of 223,000,000 new ordinary shares of HK\$0.02 each at the placing price of HK\$0.30 per share. The net proceeds of approximately HK\$65.7 million will be used for the expansion of the retail business of the Group in China and as general working capital for the Group. In order to facilitate the placing, an ordinary resolution will be proposed at a special general meeting to increase the authorised share capital of the Company from HK\$15,000,000 to HK\$30,000,000 by the creation of 750,000,000 new ordinary shares of HK\$0.02 each. This placing and the proposed increase of the authorised share capital of the Company is subject to the approval from the shareholders in a special general meeting to be convened.