

Notes to the Financial Statements

For the year ended 31 December 2003

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").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 14.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. The adoption of SSAP 12 (Revised) has had no effect on the results for the current or prior accounting years. The effect of the adoption of SSAP 12 (Revised) as at 1 January 2002 are summarised below:

	As originally stated HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Deferred tax liabilities	–	(10,177)	(10,177)
Deferred tax assets	–	10,177	10,177
Total effect on accumulated losses	–	–	–

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For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of 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 dates 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 a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition 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 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

Depreciation and amortisation are provided to write off the cost of items of property and equipment over their estimated useful lives 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	3 to 5 years
Motor vehicles	3 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 term of the relevant lease.

Impairment

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. Impairment loss is recognised as an expense immediately.

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 term.

Investments

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Intangible assets

Intangible assets are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Club memberships

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue recognition

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

Fees and commission income are recognised on a trade date basis when the services are rendered.

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

Realised profits and losses arising from trading of financial products are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the financial products. Open contracts/positions are valued at market rate with unrealised profits and losses included in the income statement.

Information technology advisory income is recognised when the services are rendered.

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 income statement items that are never taxable or deductible.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars 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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

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

4. TURNOVER

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Sales of furniture and household goods, net of discounts and returns	842,063	889,918
Fees and commission income	173,610	182,810
Interest income	17,404	28,039
Loss on trading of securities, options and futures	(5,560)	(5,600)
Information technology advisory income	754	1,861
	1,028,271	1,097,028

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

Financial services	Broking, financing, proprietary trading and corporate finance services
Retailing	Sales of furniture and household goods
Investment holding	Strategic investments
Others	Business solutions and brand management

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2003

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	186,431	836,006	150	5,684	1,028,271
Segment profit (loss)	9,988	(36,467)	24,450	(9,882)	(11,911)
Unallocated corporate expenses					(39,064)
Loss before taxation					(50,975)
Taxation charge					(134)
Loss after taxation and before minority interests					(51,109)

Balance sheet as at 31 December 2003

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	1,067,201	515,679	15,500	2,827	1,601,207
Unallocated corporate assets					16,114
Consolidated total assets					1,617,321
LIABILITIES					
Segment liabilities	805,249	284,629	–	15,703	1,105,581
Unallocated corporate liabilities					49,630
Consolidated total liabilities					1,155,211

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2003

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property and equipment	782	9,544	–	66	10	10,402
Allowance for bad and doubtful debts	1,073	–	–	–	–	1,073
Depreciation and amortisation	21,354	32,758	–	173	1,661	55,946
Impairment loss recognised in respect of goodwill held in reserves	–	–	300	–	–	300
Loss on disposal of property and equipment	1,364	577	–	–	–	1,941

Income statement for the year ended 31 December 2002

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover	196,334	889,918	8,915	1,861	1,097,028
Segment loss	(106,573)	(96,856)	(135,206)	(5,869)	(344,504)
Unallocated corporate expenses					(59,839)
Gain on the expiry of warrants					59,573
Allowance for loan to an associate					(219,828)
Loss before taxation					(564,598)
Taxation credit					1,779
Loss after taxation and before minority interests					(562,819)

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2002

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	636,050	514,962	3,282	1,312	1,155,606
Unallocated corporate assets					74,669
Consolidated total assets					1,230,275
LIABILITIES					
Segment liabilities	466,735	247,445	–	2,312	716,492
Unallocated corporate liabilities					65,304
Consolidated total liabilities					781,796

Other information for the year ended 31 December 2002

	Financial services HK\$'000	Retailing HK\$'000	Investment holding HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property and equipment	9,717	48,942	40,000	147	1,478	100,284
Allowance for bad and doubtful debts	63,726	3,990	27,789	182	–	95,687
Depreciation and amortisation	24,210	34,116	–	46	3,462	61,834
Impairment losses recognised in income statement	–	38,734	107,000	–	3,958	149,692
Loss (Gain) on disposal of property and equipment	5,737	(591)	–	–	935	6,081

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's turnover and loss before taxation for both years are substantially derived from Hong Kong. Accordingly, no analysis by geographical segment is presented.

6. SALARIES, ALLOWANCES AND COMMISSION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	199,165	230,071
Contributions to retirement benefits schemes	5,532	6,739
	204,697	236,810

7. FINANCE COSTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	7,550	4,989
Finance leases	43	173
	7,593	5,162

Notes to the Financial Statements

For the year ended 31 December 2003

8. DIRECTORS' REMUNERATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive Directors	–	–
Independent non-executive Directors	200	–
Other remuneration paid to Executive Directors:		
Salaries, allowances and other benefits	7,376	7,247
Contributions to retirement benefits schemes	315	271
Performance related incentive payments	–	239
Total remuneration	7,891	7,757

The remuneration of the Directors fell within the following bands:

	THE GROUP	
	2003 Number of Directors	2002 Number of Directors
Nil – HK\$1,000,000	8	6
HK\$1,000,001 – HK\$1,500,000	3	4
	11	10

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.

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9. EMPLOYEES' REMUNERATION

The five highest paid employees included one (2002: two) Director of the Company, details of whose remuneration is set out in note 8 above. The details of the remuneration of the remaining four (2002: three) individuals are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	5,597	3,998
Contributions to retirement benefits schemes	219	160
Performance related incentive payments	–	158
	5,816	4,316

Their remuneration were within the following band:

	2003 Number of employees	2002 Number of employees
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	2	–

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10. LOSS BEFORE TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	44,906	51,119
Allowance for inventory obsolescence and write-off of inventories (included in cost of sales)	7,195	4,990
Amortisation of intangible assets (included in depreciation and amortisation)	1,830	1,830
Amortisation of goodwill (included in depreciation and amortisation)	4,351	6,135
Auditors' remuneration	2,400	2,070
Compensation for early termination of tenancy agreements and investment project	–	7,004
Depreciation and amortisation of property and equipment:		
Owned assets	49,370	52,283
Leased assets	395	1,586
	49,765	53,869
Gain on partial disposal of interest in CFSG	(6,321)	–
Loss on disposal of property and equipment	1,941	6,081
Operating lease rentals in respect of land and buildings		
Minimum lease payments	126,133	128,567
Contingent rents	2,390	5,179
	128,523	133,746
Net foreign exchange gain	(8,339)	(706)

Notes to the Financial Statements

For the year ended 31 December 2003

11. TAXATION (CHARGE) CREDIT

The taxation (charge) credit are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Hong Kong Profits Tax:		
Provision for the year	(134)	–
Overprovision in prior years	–	1,782
Underprovision in prior years	–	(3)
Taxation attributable to the Company and its subsidiaries	(134)	1,779

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

No provision for Hong Kong Profits Tax was made for the year ended 31 December 2002 as the Company and its subsidiaries either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by estimated tax losses brought forward.

Notes to the Financial Statements

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11. TAXATION (CHARGE) CREDIT (continued)

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

	2003 HK\$'000	2002 HK\$'000
Loss before taxation	(50,975)	(564,598)
Tax at income tax rate of 17.5% (2002: 16%)	(8,921)	(90,336)
Tax effect of tax losses not recognised	15,115	33,339
Overprovision in prior years	–	(1,782)
Underprovision in prior years	–	3
Tax effect of expenses not deductible for tax purpose	5,402	68,549
Tax effect of income not taxable for tax purpose	(6,080)	(11,552)
Utilisation of tax losses previously not recognised	(6,101)	–
Others	719	–
Tax expense (credit) for the year	134	(1,779)

Notes to the Financial Statements

For the year ended 31 December 2003

11. TAXATION (CHARGE) CREDIT (continued)

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

	Accelerated tax depreciation HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
At 1 January 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised) (Note 2)	(10,177)	10,177	–
– as restated	(10,177)	10,177	–
Credit (Charge) to income statement	1,605	(1,605)	–
At 31 December 2002 and 1 January 2003	(8,572)	8,572	–
Credit (Charge) to income statement	4,786	(4,786)	–
Effect of change in tax rate	(803)	803	–
At 31 December 2003	(4,589)	4,589	–

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At the balance sheet date, the Group has unused estimated tax losses of HK\$520,070,000 (2002: HK\$495,913,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$26,223,000 (2002: HK\$53,575,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK\$493,847,000 (2002: HK\$442,338,000) due to the unpredictability of future profit streams.

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12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2003 together with the comparative figures for 2002 are calculated as follows:

	2003 HK\$'000	2002 HK\$'000
Loss for the purpose of basic and diluted loss per share	(51,629)	(440,583)
Weighted average number of ordinary shares for the purpose of basic loss per share	340,333,142	311,921,618
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	340,333,142	311,921,618

The computation of diluted loss per share for the year did not:

- (i) adjust the share of result of subsidiaries as the exercise price of the subsidiaries' outstanding share options were higher than the average market price of the subsidiaries' shares; and
- (ii) assume the exercise of the Company's outstanding share options since their exercise would result in a reduction in loss per share.

The calculation of diluted loss per share for the year ended 31 December 2002 did not:

- (i) adjust the share of result of subsidiaries as the subsidiaries incurred losses; and
- (ii) assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price of the Company's shares.

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13. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1 January 2003	70,000	10,000	98,090	185,272	5,830	369,192
Additions	–	–	4,435	5,233	250	9,918
Arising on acquisitions of subsidiaries	–	–	–	484	–	484
Disposals	(15,000)	–	(5,555)	(4,601)	(2,720)	(27,876)
At 31 December 2003	55,000	10,000	96,970	186,388	3,360	351,718
ACCUMULATED DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 January 2003	21,142	10,000	37,135	108,825	1,789	178,891
Provided for the year	1,477	–	21,570	25,455	1,263	49,765
Reversal of impairment loss previously recognised in the income statement	(900)	–	–	–	–	(900)
Eliminated on disposals	(51)	–	(4,817)	(3,144)	(2,098)	(10,110)
At 31 December 2003	21,668	10,000	53,888	131,136	954	217,646
NET BOOK VALUES						
At 31 December 2003	33,332	–	43,082	55,252	2,406	134,072
At 31 December 2002	48,858	–	60,955	76,447	4,041	190,301

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For the year ended 31 December 2003

13. PROPERTY AND EQUIPMENT (continued)

The leasehold land and buildings of the Group are situated in Hong Kong. The lease terms of the leasehold land and buildings are as follows:

	2003 HK\$'000	2002 HK\$'000
Long leases	–	14,516
Medium-term leases	33,332	34,342
	33,332	48,858

The leasehold land and building with a net book value of approximately HK\$29,425,000 (2002: HK\$44,858,000) held by the Group were pledged to secure general banking facilities granted to the Group.

The net book values of furniture, fixtures and equipment of HK\$55,252,000 and motor vehicles of HK\$2,406,000 included an amount of HK\$142,000 (2002: HK\$227,000) and HK\$772,000 (2002: HK\$2,970,000) respectively in respect of assets held under finance leases.

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1 January 2003 and 31 December 2003	8,426	11,130	19,556
ACCUMULATED DEPRECIATION			
At 1 January 2003	5,818	11,119	16,937
Provided for the year	1,288	11	1,299
At 31 December 2003	7,106	11,130	18,236
NET BOOK VALUES			
At 31 December 2003	1,320	–	1,320
At 31 December 2002	2,608	11	2,619

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14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	60,793	60,793
Impairment loss recognised	(60,793)	(60,793)
	–	–

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.

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Cosmos Global Limited	Hong Kong	Ordinary HK\$2	100.00	Wholesale and retailing of branded household products
Halo Systems Limited	Hong Kong	Ordinary HK\$3	100.00	Business solutions
CFSG	Bermuda	Ordinary HK\$37,727,822	51.27	Investment holding
CASH E-Trade Limited	Hong Kong	Ordinary HK\$4,000,000	51.27	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK\$2	51.27	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK\$17,000,000	51.27	Provision of corporate finance services

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14. INVESTMENTS 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
Celestial Commodities Limited	Hong Kong	Ordinary HK\$10,000,000	51.27	Futures and options broking and trading
Celestial Finance Limited	Hong Kong	Ordinary HK\$30,000,002 Non-voting deferred * HK\$10,000,000	51.27	Provision of share margin financing
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK\$2	51.27	Money lending
Celestial Securities Limited ("CSL")	Hong Kong	Ordinary HK\$100,000,000	51.27	Securities, equity options broking and trading and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US\$1	51.27	Investment holding
Chateron Corporate Finance Limited	Hong Kong	Ordinary HK\$10,000,000	51.27	Provision of corporate finance services
CASH Frederick Taylor Limited (formerly known as Frederick Taylor International Financial Services Limited) ("CASH Frederick Taylor")	Hong Kong	Ordinary *** HK\$1,000,000	35.89	Financial advisory consultancy

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14. INVESTMENTS 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
Pricerite Group Limited ("Pricerite")	Bermuda	Ordinary HK\$10,383,885	68.35	Investment holding
Pricerite Stores Limited ("PSL")	Hong Kong	Ordinary HK\$1,000 Non-voting deferred ** HK\$5,000,000	68.35	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK\$2	68.35	Retailing of furniture and household goods through a website

* The rights and restrictions attaching to such non-voting deferred shares are summarised as follows:

- (a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;
- (b) as regards income, the holders thereof are not entitled to any dividend unless the relevant company determines to distribute in respect of any financial year distributable profits in excess of HK\$1 trillion to which the holders of the non-voting deferred shares are collectively entitled to one half of the said profits in excess of the said HK\$1 trillion; and
- (c) as regards capital, on a return of assets on winding-up or otherwise the assets of the company to be returned, the holders of such non-voting deferred shares are collectively entitled to one half of the surplus assets of the company in excess of HK\$500 trillion.

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For the year ended 31 December 2003

14. INVESTMENTS IN SUBSIDIARIES (continued)

** The rights and restrictions attaching to such non-voting deferred shares are summarised as follows:

- (a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;
- (b) as regards dividends, the holders thereof are not entitled to any dividend unless the net profits of the relevant company available for dividend (as certified by its auditors) as earned in the year in respect of which a dividend is declared exceed HK\$100 billion, in which case the holders of the non-voting deferred shares are collectively entitled to one thousandth of one per cent of the amount of the profits so available which exceed HK\$100 billion; and
- (c) as regards capital, on a return of assets or a winding-up, the holders of such non-voting deferred shares are entitled out of the surplus assets of the relevant company to a return of capital paid on such non-voting deferred shares held by then after a total of HK\$1,000 billion has been distributed in such winding-up in respect of each of the issued ordinary shares in the relevant company.

*** The Group holds a 35.89% interest in CASH Frederick Taylor and controls a 51.27% of voting power at general meetings of CASH Frederick Taylor through the 51.27% interest in CFSG.

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

Notes to the Financial Statements

For the year ended 31 December 2003

15. INVESTMENTS

	Investment securities		THE GROUP Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities:						
Non-current						
Unlisted, at cost	317,000	301,500	–	–	317,000	301,500
Impairment loss recognised	(301,500)	(301,500)	–	–	(301,500)	(301,500)
	15,500	–	–	–	15,500	–
Current						
Listed in Hong Kong, at market value	–	–	61,200	52,534	61,200	52,534
	15,500	–	61,200	52,534	76,700	52,534

Notes to the Financial Statements

For the year ended 31 December 2003

16. GOODWILL

	THE GROUP HK\$'000
COST	
At 1 January 2003	91,601
Arising on acquisitions of subsidiaries	6,142
Arising on acquisition of additional interest in CFSG	15,880
Eliminated on partial disposal of interest in CFSG	(2,123)
At 31 December 2003	111,500
AMORTISATION AND IMPAIRMENT	
At 1 January 2003	36,341
Charged for the year	4,351
At 31 December 2003	40,692
NET BOOK VALUES	
At 31 December 2003	70,808
At 31 December 2002	55,260

The amortisation period adopted for goodwill is from 3 to 20 years.

Notes to the Financial Statements

For the year ended 31 December 2003

17. INTANGIBLE ASSETS

	THE GROUP HK\$'000
COST	
At 1 January 2003 and 31 December 2003	18,235
AMORTISATION	
At 1 January 2003	5,483
Charged for the year	1,830
At 31 December 2003	7,313
NET BOOK VALUES	
At 31 December 2003	10,922
At 31 December 2002	12,752

Intangible assets represent trading rights in the exchanges in Hong Kong and are amortised over 10 years.

18. OTHER ASSETS

	THE GROUP 2003 HK\$'000	2002 HK\$'000
Club memberships	3,929	4,258
Statutory and other deposits	5,016	5,379
Prepayment for advertising and telecommunication services	19,744	33,013
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(7,185)	(11,459)
	21,504	31,191

Notes to the Financial Statements

For the year ended 31 December 2003

19. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Matured within 180 days	700	600
Matured between 181 days to 365 days	–	600
Matured within one year	700	1,200
Matured over one year	–	2,217
	700	3,417

20. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Finished goods held for sale	61,295	65,391

Finished goods of approximately HK\$564,000 (2002: HK\$2,607,000) are carried at net realisable value.

Notes to the Financial Statements

For the year ended 31 December 2003

21. ACCOUNTS RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	93,675	5,254
Cash clients	49,975	28,699
Margin clients	285,895	100,467
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	56,045	36,887
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	2,909	–
Accounts receivable arising from the business of provision of corporate finance services	1,058	734
Trade debtors	8,171	550
	497,728	172,591

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options are two days after trade date, and accounts receivable 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 accounts receivable arising from the businesses of dealing in securities and equity options and dealing in futures and 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.

Notes to the Financial Statements

For the year ended 31 December 2003

21. ACCOUNTS RECEIVABLE (continued)

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

Name of company	Balance at 31.12.2003 HK\$'000	Balance at 1.1.2003 HK\$'000	Maximum amount outstanding during the year HK\$'000
Cash Guardian Limited ("Cash Guardian")	9,732	8,862	10,106

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

In respect of the commission receivable from brokerage of mutual funds and insurance-linked investment plans and products, accounts receivable arising from the business of provision of corporate finance services and trade debtors, the Group allows a credit period of 30-90 days. The aged analysis is as follows:

	2003 HK\$'000	2002 HK\$'000
0 – 30 days	8,666	551
31 – 60 days	332	170
61 – 90 days	484	126
Over 90 days	2,656	437
	12,138	1,284

Notes to the Financial Statements

For the year ended 31 December 2003

22. BANK DEPOSITS UNDER CONDITIONS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Other bank deposits (note a)	15,808	—
Pledged bank deposits (note b)	20,757	26,890
	36,565	26,890

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 with a bank as a condition precedent to an overdraft facility granted by the bank.
- (b) At the balance sheet date, the Group's bank deposits of HK\$20,757,000 were pledged to secure general banking facilities granted to subsidiaries.

At 31 December 2002, bank deposits of HK\$611,000 and HK\$26,279,000 were pledged to banks to secure the forward foreign exchange facility granted to a subsidiary and general banking facilities granted to a subsidiary as well as an associate respectively.

23. ACCOUNTS PAYABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	373,929	158,188
Margin clients	69,289	28,053
Accounts payable to clients arising from the business of dealing in futures and options	120,644	149,549
Trade creditors	175,617	154,236
	739,479	490,026

Notes to the Financial Statements

For the year ended 31 December 2003

23. ACCOUNTS PAYABLE (continued)

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable 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.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. 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 business of futures and options dealing.

The aged analysis of trade creditors at the balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
0 – 30 days	63,016	40,785
31 – 60 days	44,563	29,813
61 – 90 days	42,449	33,516
Over 90 days	25,589	50,122
	175,617	154,236

Notes to the Financial Statements

For the year ended 31 December 2003

24. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases				
Within one year	518	717	504	681
In the second to fifth year inclusive	128	772	126	753
	646	1,489	630	1,434
Less: Future finance charges	16	55	–	–
Present value of lease obligations	630	1,434	630	1,434
Less: Amount due for payment within one year			504	681
Amount due for payment after one year			126	753

The Group leased certain of its furniture, fixtures and equipment, and motor vehicles under finance leases. The average lease term is 2 to 4 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 2003

25. BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	68,460	77,104
Bank loans	212,500	75,900
Trust receipt loans	60,982	52,538
	341,942	205,542
Unsecured	1,850	10,820
Secured	340,092	194,722
	341,942	205,542

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
On demand or within one year	322,442	205,542
More than one year, but not exceeding two years	6,000	–
More than two years, but not exceeding five years	13,500	–
	341,942	205,542
Less: Amount due within one year shown under current liabilities	(322,442)	(205,542)
Amount due after one year	19,500	–

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

Notes to the Financial Statements

For the year ended 31 December 2003

25. BANK BORROWINGS (continued)

At 31 December 2003, the Group's bank borrowings of HK\$340,092,000 (2002: HK\$194,722,000) were secured by:

- (a) corporate guarantees from certain subsidiaries of the Company and the Company;
- (b) marketable securities of the Group's clients (with clients' consent);
- (c) pledge of the Group's certain leasehold land and building;
- (d) pledge of HK\$20,757,000 (2002: HK\$9,111,000) bank deposits; and
- (e) listed shares of a subsidiary with an aggregate market value of approximately HK\$108,650,000 (2002: HK\$129,320,000).

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 with a bank as a condition precedent to an overdraft facility granted by the bank.

Notes to the Financial Statements

For the year ended 31 December 2003

26. SHARE CAPITAL

	Note	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2002		10,000,000	1,000,000
Reduced due to share consolidation		(9,500,000)	–
Reduced due to capital reduction		–	(950,000)
Cancellation of unissued share capital		(180,283)	(18,028)
Increase during the year		180,283	18,028
At 31 December 2002 and 31 December 2003		500,000	50,000
Issued and fully paid:			
At 1 January 2002		6,394,354	639,435
Reduced due to share consolidation		(6,074,637)	–
Reduced due to capital reduction		–	(607,464)
Shares repurchased and cancelled		(14,242)	(1,424)
Exercise of warrants		9	1
At 31 December 2002 and 1 January 2003		305,484	30,548
Issue of new shares	(a)	60,000	6,000
At 31 December 2003		365,484	36,548

Note:

(a) Placement of shares

Pursuant to a placing and a top-up agreement dated 22 May 2003, 60,000,000 existing shares of HK\$0.10 each held by Cash Guardian were placed to various independent investors at a price of HK\$0.275 on 27 May 2003 ("Top-up Placing") and 60,000,000 new shares of HK\$0.10 each were issued to Cash Guardian at the same price on 3 June 2003 upon completion of the Top-up Placing. The proceeds, after expenses of approximately HK\$406,000 (of which HK\$330,000 was paid to a subsidiary of the Company), totalled approximately HK\$16,094,000 was intended to be used by the Company as general working capital.

Notes to the Financial Statements

For the year ended 31 December 2003

27. RESERVES

	Notes	Share premium HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP							
At 1 January 2002		294,035	519,500	1,160	71,887	(623,446)	263,136
Capital reduction		–	607,464	–	–	–	607,464
Amount transferred to write off accumulated losses		–	(669,503)	–	–	669,503	–
Issue of shares upon exercise of warrants		108	–	–	–	–	108
Premium arising from repurchase of shares		(25,295)	–	–	–	–	(25,295)
Gain on expiry of warrants recognised in the income statement		–	–	–	(59,573)	–	(59,573)
Net loss for the year		–	–	–	–	(440,583)	(440,583)
At 31 December 2002 and 1 January 2003		268,848	457,461	1,160	12,314	(394,526)	345,257
Impairment loss recognised in respect of goodwill	(b)	–	300	–	–	–	300
Issue of shares		10,500	–	–	–	–	10,500
Share issue expenses		(76)	–	–	–	–	(76)
Amount transferred to write off accumulated losses	(c)	–	(441,037)	–	–	441,037	–
Net loss for the year		–	–	–	–	(51,629)	(51,629)
At 31 December 2003		279,272	16,724	1,160	12,314	(5,118)	304,352

Notes to the Financial Statements

For the year ended 31 December 2003

27. RESERVES (continued)

	Note	Share premium HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY						
At 1 January 2002		291,997	580,593	59,573	(669,503)	262,660
Capital reduction		–	607,464	–	–	607,464
Amount transferred to write off						
accumulated losses		–	(669,503)	–	669,503	–
Issue of shares upon exercise of warrants		108	–	–	–	108
Premium arising from						
repurchase of shares		(25,295)	–	–	–	(25,295)
Gain on expiry of warrants recognised						
in the income statement		–	–	(59,573)	–	(59,573)
Net loss for the year		–	–	–	(441,037)	(441,037)
At 31 December 2002 and						
1 January 2003		266,810	518,554	–	(441,037)	344,327
Issue of shares		10,500	–	–	–	10,500
Share issue expenses		(406)	–	–	–	(406)
Amount transferred to write off						
accumulated losses	(c)	–	(441,037)	–	441,037	–
Net loss for the year		–	–	–	(51,596)	(51,596)
At 31 December 2003		276,904	77,517	–	(51,596)	302,825

Notes:

- (a) All the reserves of the Group are attributable to the Company and its subsidiaries.
- (b) Due to continuous losses incurred by the subsidiaries, the Directors recognised an impairment loss of HK\$300,000 in respect of goodwill arising from the acquisition of these subsidiaries. At 31 December 2003, there was no goodwill held in the contributed surplus account or other reserves of the Group.
- (c) Pursuant to the minutes of a directors' meeting held on 5 May 2003, an amount of approximately HK\$441,037,000 was transferred from contributed surplus account to set off the accumulated losses of the Company at 31 December 2002.

Notes to the Financial Statements

For the year ended 31 December 2003

27. RESERVES (continued)

- (d) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to write-off accumulated losses.
- (e) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH on-line Limited (now renamed CFSG) in year 2000.
- (f) The contributed surplus of the Company represents the difference between the consolidated net asset value of the subsidiaries acquired in 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.
- (g) 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.
- (h) Under the Companies Act 1981 of Bermuda, contributed surplus 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 2003

28. ACQUISITIONS OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
NET ASSETS ACQUIRED		
Property and equipment	484	40,450
Accounts receivable	1,083	–
Prepayments, deposits and other receivables	236	160
Bank balances and cash	8,201	–
Accrued liabilities and other payables	(4,990)	(10)
Taxation payable	(100)	–
Minority interests	(149)	–
	4,765	40,600
Goodwill	6,142	–
	10,907	40,600
SATISFIED BY		
Cash	10,907	40,600
NET CASH OUTFLOW ARISING ON ACQUISITION		
Cash consideration	(10,907)	(40,600)
Bank balances and cash acquired	8,201	–
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(2,706)	(40,600)

The subsidiary acquired during the year contributed HK\$6,510,000 (2002: nil) to the Group's turnover, and a profit of HK\$70,000 (2002: a loss of HK\$40,000,000) to the Group's loss before taxation.

Notes to the Financial Statements

For the year ended 31 December 2003

29. MAJOR NON-CASH TRANSACTIONS

- (a) Pursuant to an agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised advertising and telecommunication services amounting to approximately HK\$13,269,000 (2002: HK\$5,746,000).
- (b) During the year ended 31 December 2002, the finance leases in respect of assets with a total capital value at the inception of the finance leases was approximately HK\$1,241,000.

30. CONTINGENT LIABILITIES

- (a) Cheung Yiu Wing ("Cheung"), the former chairman and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim against the Company alleging that the Company had orally agreed to purchase from Cheung 50 million shares of KPI at a price of HK\$1.90 per share and seeking relief against the Company for, inter alia, damages. No discussions had been made between the Company and Cheung in relation to any purchase or intention to purchase the said shares as claimed by Cheung and no agreement of whatever nature, oral or written, had been entered into between the Company and Cheung. Relying on the advice from counsel, the Directors does not envisage the claim by Cheung will be held valid. Accordingly, no provision was made in the financial statements.
- (b) Bates Hong Kong Limited ("Bates HK") filed a statement of claim against, inter alia, CASH Assets Limited ("CAL") and PSL, alleging that CAL and 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 among CAL, PSL and Bates HK to such effect. The Directors do not envisage the claim by Bates HK being will be held valid. Accordingly, no provision was made in the financial statements.
- (c) Bates China Limited ("Bates China") filed a statement of claim against, inter alia, CAL and Pricerite, alleging that CAL and Pricerite 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. Pricerite had not appointed Bates China as its advertising agent and no agreement of whatever nature, oral or written, had been entered into among CAL, Pricerite 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 2003

30. CONTINGENT LIABILITIES (continued)

- (d) Pang Po King Cannie ("Pang") filed a statement of claim against CSL, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The 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.
- (e) Chan Pit Wah ("Chan") filed a statement of damages against the 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. 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. Accordingly, no provision was made in the financial statements.
- (f) The Company has given guarantees to bank in respect of general facilities granted to its subsidiary. The extent of such facilities utilised by the subsidiaries at 31 December 2003 amounted to approximately HK\$39,606,000 (2002: HK\$39,335,000).

31. OPERATING LEASE COMMITMENTS

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	121,505	121,480	6,544	10,210
In the second to fifth year inclusive	152,706	174,673	19,631	7,930
After five years	2,873	4,279	–	–
	277,084	300,432	26,175	18,140

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

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

(a) Share option scheme adopted on 29 March 1994 ("Old Option Scheme")

The major terms of the Old Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any employee or director of any member of the Group.
- (iii) The maximum number of shares in respect of which options might be granted under the Old Option Scheme must not exceed 10% of the issued share capital of the Company 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 under any option granted to the same participant under the Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Old Option Scheme from time to time.
- (v) A grantee was required to hold an option for a minimum of 6 months before the option became exercisable.
- (vi) The exercise period of an option granted must not exceed a period of 3 years commencing on the expiry of the abovementioned minimum holding period or 28 March 2004, whichever the earlier.
- (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 higher of:
 - a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.

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32. SHARE OPTION SCHEMES (continued)

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

(a) Share option scheme adopted on 29 March 1994 ("Old Option Scheme") (continued)

- (ix) The life of the Old Option Scheme was originally effective for 10 years until 28 March 2004. On 19 February 2002, the Old Option Scheme was resolved by the shareholders of the Company to have been cancelled thereon. However, the options granted under the Old Option Scheme are still exercisable in accordance with the terms of the Old Option Scheme.

(b) Share option scheme adopted on 19 February 2002 ("New Option Scheme")

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group") and Pricerite and its subsidiaries ("Pricerite Group") (together "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 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 30,548,382 shares, representing 8.36% 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 2003

32. SHARE OPTION SCHEMES (continued)

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

(b) Share option scheme adopted on 19 February 2002 ("New Option Scheme") (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 2003

32. 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 CASH Group and movements in such holdings during the year:

					Number of options							
Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	outstanding as at 1/1/2002	adjusted on 25/4/2002	granted in 2002	lapsed in 2002 and 1/1/2003 (note 6)	outstanding as at 31/12/2002 and 1/1/2003	granted in 2003	lapsed in 2003 (note 6)	outstanding as at 31/12/2003
Directors												
Old Option Scheme	4/10/1999	0.590	8/4/2000-7/4/2002		120,000,000	-	-	(120,000,000)	-	-	-	-
	4/10/1999	0.590	8/4/2000-7/4/2002	(2)	8,750,000	-	-	(8,750,000)	-	-	-	-
	10/1/2000	16.000	10/1/2001-9/1/2003	(1)	10,000,000	(9,500,000)	-	-	500,000	-	(500,000)	-
	1/6/2000	7.000	1/12/2000-30/11/2002	(1)&(3)	10,000,000	(9,500,000)	-	(500,000)	-	-	-	-
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)&(3)	30,000,000	(28,500,000)	-	-	1,500,000	-	(1,500,000)	-
	31/8/2001	2.600	1/3/2002-28/2/2004	(1)&(3)	30,000,000	(28,500,000)	-	-	1,500,000	-	-	1,500,000
New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003		-	-	16,500,000	-	16,500,000	-	(16,500,000)	-
	2/5/2002	1.320	1/11/2002-31/10/2003	(3)	-	-	1,100,000	-	1,100,000	-	(1,100,000)	-
	2/12/2003	0.502	2/12/2003-30/11/2005	(5)	-	-	-	-	-	16,000,000	-	16,000,000
					208,750,000	(76,000,000)	17,600,000	(129,250,000)	21,100,000	16,000,000	(19,600,000)	17,500,000
Employees												
Old Option Scheme	13/5/1999	4.600	13/11/2000-12/5/2002	(1)	750,000	(712,500)	-	(37,500)	-	-	-	-
	4/10/1999	0.590	8/4/2000-7/4/2002	(2)	23,810,000	-	-	(23,810,000)	-	-	-	-
	15/11/1999	0.610	1/11/2000-31/10/2002	(4)	10,000,000	-	-	(10,000,000)	-	-	-	-
	10/1/2000	16.000	11/7/2000-10/7/2002	(1)&(2)	500,000	(475,000)	-	(25,000)	-	-	-	-
	1/6/2000	7.000	1/12/2000-30/11/2002	(1)&(3)	45,000,000	(42,750,000)	-	(2,250,000)	-	-	-	-
	28/7/2000	9.800	1/2/2001-31/1/2003	(1)&(2)	1,000,000	(950,000)	-	-	50,000	-	(50,000)	-
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)&(3)	20,000,000	(19,000,000)	-	-	1,000,000	-	(1,000,000)	-
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)&(2)	6,000,000	(5,700,000)	-	-	300,000	-	(300,000)	-
	2/2/2001	4.800	16/8/2001-15/8/2003	(1)&(2)	6,000,000	(5,700,000)	-	-	300,000	-	(300,000)	-
	31/8/2001	2.600	1/3/2002-28/2/2004	(1)&(3)	60,000,000	(57,000,000)	-	-	3,000,000	-	-	3,000,000
New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003		-	-	3,000,000	-	3,000,000	-	(3,000,000)	-
	2/5/2002	1.320	1/11/2002-31/10/2003	(3)	-	-	1,500,000	-	1,500,000	-	(1,500,000)	-
					173,060,000	(132,287,500)	4,500,000	(36,122,500)	9,150,000	-	(6,150,000)	3,000,000
					381,810,000	(208,287,500)	22,100,000	(165,372,500)	30,250,000	16,000,000	(25,750,000)	20,500,000

Notes to the Financial Statements

For the year ended 31 December 2003

32. 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 on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK\$0.80, HK\$0.35, HK\$0.27, HK\$0.13, HK\$0.23, HK\$0.80, HK\$0.35, HK\$0.49, HK\$0.27, HK\$0.27, HK\$0.24 and HK\$0.13 respectively.
- (2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.
- (3) 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.
- (4) 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.
- (5) The closing price of the share immediately before the date of grant was HK\$0.51.
- (6) The lapsed options were due to expiry or cessation of employment of participants with the Group.
- (7) No option was exercised or cancelled during the year.

The exercise in full of the outstanding 20,500,000 share options at 31 December 2003 would, under the present capital structure of the Company, result in the issue of 20,500,000 additional shares for a total cash consideration, before expenses, of approximately HK\$19,732,000.

Total consideration received during the year from the Directors and the employees for taking up the options granted amounted to HK\$8 (2002: HK\$20).

No charge is recognised in the income statement in respect of the value of options granted during the year.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG

(a) Share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme")

The major terms of the CFSG Old Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any full-time employee or executive Director of any member of CFSG Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CFSG Old Option Scheme must not exceed 10% of the shares in issue as at the approval of shareholders from time to time and in any event the total maximum number of shares which might be issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of CFSG 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 under any option granted to the same participant under the CFSG Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CFSG Old Option Scheme from time to time.
- (v) No minimum period for which an option must be held before it became exercisable was required.
- (vi) The exercise period of an option granted must not be less than 3 years and beyond 14 December 2010.
- (vii) The acceptance of an option, if accepted, must be made within 3 business 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 share on the grant date;
 - the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(a) *Share option scheme adopted on 20 November 2000 ("CFSG Old Option Scheme") (continued)*

- (ix) The life of the CFSG Old Option Scheme was originally effective for 10 years until 14 December 2010. On 19 February 2002, the CFSG Old Option Scheme was resolved by the shareholders of the CFSG to have been cancelled thereon. However, the options granted under CFSG Old Option Scheme are still exercisable in accordance with the terms of the CFSG Old Option Scheme.

(b) *Share option scheme adopted on 19 February 2002 ("CFSG New Option Scheme")*

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

(b) Share option scheme adopted on 19 February 2002 ("CFSG New Option Scheme") (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 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.
- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CFSG and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of CFSG upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to CFSG.
- (viii) The exercise price of an option must be the highest of:
 - the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the CFSG New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	Number of options								
					outstanding as at 1/1/2002	adjusted on 25/4/2002	lapsed in 2002	outstanding as at 31/12/2002 and 1/1/2003		lapsed in 2003	adjusted on 4/11/2003	granted in 2003	outstanding as at 31/12/2003
Directors													
CFSG Old Option Scheme	26/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	80,000,000	(76,000,000)	-	4,000,000	-	4,160,000	-	8,160,000	
CFSG New Option Scheme	3/11/2003	0.60	3/11/2003-31/10/2004		-	-	-	-	-	-	8,750,000	8,750,000	
	2/12/2003	0.44	2/12/2003-30/11/2005		-	-	-	-	-	-	19,600,000	19,600,000	
					80,000,000	(76,000,000)	-	4,000,000	-	4,160,000	28,350,000	36,510,000	
Employees													
CFSG Old Option Scheme	26/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	20,000,000	(19,000,000)	-	1,000,000	-	1,040,000	-	2,040,000	
	27/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	24,100,000	(21,945,000)	(1,510,000)	645,000	(275,000)	384,800	-	754,800	
CFSG New Option Scheme	3/11/2003	0.60	3/11/2003-31/10/2004		-	-	-	-	-	-	3,750,000	3,750,000	
	2/12/2003	0.44	1/6/2004-31/5/2006	(3)	-	-	-	-	-	-	17,750,000	17,750,000	
					44,100,000	(40,945,000)	(1,510,000)	1,645,000	(275,000)	1,424,800	21,500,000	24,294,800	
					124,100,000	(116,945,000)	(1,510,000)	5,645,000	(275,000)	5,584,800	49,850,000	60,804,800	

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CFSG for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK\$0.11.
- (2) 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 before rights issue was HK\$2.20.
- (3) 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.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite

(a) Share option scheme adopted on 21 January 1994 ("Pricerite Old Option Scheme")

The major terms of the Pricerite Old Option Scheme are summarised as follows:

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any full-time employee or executive director of any member of the Pricerite Group.
- (iii) The maximum number of shares in respect of which options may be granted under the Pricerite Old Option Scheme must not exceed 10% of the issued share capital of Pricerite from time to time.
- (iv) the maximum number of shares in respect of which options may be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Pricerite Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Pricerite Old Option Scheme from time to time.
- (v) No minimum period for which an option must be held before it became exercisable was required.
- (vi) The exercise period of an option shall be any period determined by the board of directors of Pricerite but shall not be beyond 20 January 2004.
- (vii) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to Pricerite.
- (viii) The exercise price of an option must not be less than the higher of:
 - a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.
- (ix) The life of the Pricerite Old Option Scheme was originally effective for 10 years until 20 January 2004. On 19 February 2002, the Pricerite Old Option Scheme was resolved by the shareholders of Pricerite to have been cancelled thereon. However, the options granted under the Pricerite Old Option Scheme are still exercisable in accordance with the terms of the Pricerite Old Option Scheme.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

(b) Share option scheme adopted on 19 February 2002 ("Pricerite New Option Scheme")

Pursuant to an ordinary resolution passed at the special general meeting of Pricerite held on 19 February 2002, Pricerite adopted the Pricerite New Option Scheme to replace the Pricerite Old Option Scheme. All the options granted under the Pricerite Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Pricerite Old Option Scheme. The major terms of the Pricerite 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 Pricerite New Option Scheme must not exceed 10% of the issued share capital of Pricerite as at the date of approval of the Pricerite 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 Pricerite 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 Pricerite 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 Pricerite and provided in the offer of grant of option.

Notes to the Financial Statements

For the year ended 31 December 2003

32. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

(b) Share option scheme adopted on 19 February 2002 ("Pricerite New Option Scheme") (continued)

- (vi) The exercise period should be any period fixed by the board of directors of Pricerite 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 Pricerite.
- (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 Pricerite 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 2003

32. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

					Number of options							
Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	outstanding as at 1/1/2002	granted in 2002	lapsed in 2002	outstanding as at 31/12/2002 and 1/1/2003	adjusted on 6/5/2003	lapsed in 2003	granted in 2003	outstanding as at 31/12/2003
Directors												
Pricerite Old Option Scheme	12/6/2000	0.32	13/6/2000-12/6/2002		18,000,000	-	(18,000,000)	-	-	-	-	-
	12/6/2001	4.20	16/6/2001-15/6/2003	(2)	28,800,000	-	(7,200,000)	21,600,000	(20,520,000)	(1,080,000)	-	-
	17/1/2002	4.20	1/2/2002-31/1/2004	(2)	-	72,000,000	(13,000,000)	59,000,000	(56,050,000)	(1,000,000)	-	1,950,000
Pricerite New Option Scheme	2/12/2003	1.79	2/12/2003-30/11/2004		-	-	-	-	-	-	3,000,000	3,000,000
	2/12/2003	1.79	1/12/2004-30/11/2005		-	-	-	-	-	-	1,000,000	1,000,000
					46,800,000	72,000,000	(38,200,000)	80,600,000	(76,570,000)	(2,080,000)	4,000,000	5,950,000
Employees												
Pricerite Old Option Scheme	12/6/2000	6.40	13/6/2000-12/6/2003	(1)&(3)	4,437,000	-	(918,000)	3,519,000	(3,035,250)	(483,750)	-	-
	12/6/2000	0.32	13/6/2000-12/6/2002	(4)	3,600,000	-	(3,600,000)	-	-	-	-	-
	17/1/2002	4.20	1/2/2002-31/1/2004	(2)	-	42,500,000	-	42,500,000	(38,000,000)	(2,750,000)	-	1,750,000
Pricerite New Option Scheme	2/12/2003	1.79	2/12/2003-30/11/2004		-	-	-	-	-	-	2,800,000	2,800,000
	2/12/2003	1.79	1/12/2004-30/11/2005		-	-	-	-	-	-	3,500,000	3,500,000
					8,037,000	42,500,000	(4,518,000)	46,019,000	(41,035,250)	(3,233,750)	6,300,000	8,050,000
					54,837,000	114,500,000	(42,718,000)	126,619,000	(117,605,250)	(5,313,750)	10,300,000	14,000,000

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 Pricerite for 20 shares into 1 share with effect from 6 May 2003. The exercise price per share before the share consolidation was HK\$0.32.
- (2) The number and the exercise price of options which remained outstanding on 6 May 2003 have been adjusted due to share consolidation of Pricerite for 20 shares into 1 share with effect from 6 May 2003. The exercise price per share before the share consolidation was HK\$0.21.
- (3) 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.
- (4) 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 2003

33. RETIREMENT BENEFITS SCHEMES

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

The employer's contributions to the retirement benefits schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK\$6,360,000 (2002: HK\$8,619,000) and HK\$828,000 (2002: HK\$1,880,000) respectively for the year ended 31 December 2003.

34. COMMITMENTS

(a) Capital commitments

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the financial statements	216	10,630
Capital expenditure commitment in respect of the acquisition of a subsidiary whose principal asset is a property in Beijing contracted for but not provided in financial statements (Note 36(a))	233,740	—
	233,956	10,630

Notes to the Financial Statements

For the year ended 31 December 2003

34. COMMITMENTS

(b) Forward foreign exchange contracts

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Buying of Euro	107	825
Buying of United States dollars	–	15,600
Buying of Japanese yen	77	–
Selling of Japanese yen	77	9,700
	261	26,125

(c) Interest rate swap

At 31 December 2003, the Group had an outstanding Hong Kong dollar interest rate swap agreement with a bank under which the Group agreed to pay the bank a fixed interest on the contract sum of HK\$27,000,000 as set out in the agreement. In return, the bank agreed to pay the Group an interest at HIBOR rate.

(d) Other commitment

At the balance sheet date, the Group had the following other commitment:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracted commitment in respect of advertising expenditure	–	3,306
Contracted commitment in respect of an agency fee for the acquisition of a subsidiary whose principal asset is a property in Beijing contracted for but not provided in financial statements (Note 36(a))	5,012	–
	5,012	3,306

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For the year ended 31 December 2003

35. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

- (a) During the year, the Group received interest from margin financing of approximately HK\$870,000 (2002: HK\$1,473,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (b) Pursuant to a placing and a top-up agreement dated 22 May 2003, 60,000,000 existing shares of HK\$0.10 each held by Cash Guardian were placed to various independent investors at a price of HK\$0.275 on 27 May 2003 and 60,000,000 new shares of HK\$0.10 each were issued to Cash Guardian at the same price on 3 June 2003 upon completion of the Top-up Placing.
- (c) During the year ended 31 December 2002, the Group pledged bank deposits of HK\$17,779,000 to secure general banking facilities granted to an associate by a bank, for which no charge is made. At 31 December 2002, the associate had utilised none of these banking facilities.

36. POST BALANCE SHEET EVENTS

- (a) On 19 December 2003, the Group entered into an agreement for acquisition of the entire equity interest in Rainbow Day Investments Limited at a consideration of HK\$233,740,000 (equivalent to RMB248,000,000) which shall be settled as to HK\$120,640,000 by cash and as to HK\$113,100,000 by the issue of the 113,100,000 new shares in the Company. The principal asset of Rainbow Day Investments Limited is a property in Beijing. Completion of the acquisition is expected to be in late April 2004. The details of the acquisition have been disclosed in the announcement and the circular of the Company dated 19 December 2003 and 21 January 2004 respectively.
- (b) On 17 January 2004, the Group entered into a provisional sale and purchase agreement for acquisition of a residential property in Hong Kong at the purchase price of HK\$39,380,000. The purchase is expected to complete on or before 30 April 2004.
- (c) On 18 March 2004, CFSG proposed to raise approximately HK\$101,900,000 by issuing 377,278,224 rights shares at the subscription price of HK\$0.27 per rights share by way of 1 rights share for every 1 existing share of CFSG. On the same date, the Company agreed to take up or procure the taking up of the 193,413,717 rights shares of CFSG which will be provisionally allotted to the Company or its subsidiaries. In addition, the Company entered into a conditional underwriting agreement with CFSG pursuant to which the Company agreed to fully underwrite the balance of 183,864,507 rights shares of CFSG. If these 183,864,507 rights shares of CFSG is taken up by the Company pursuant to the underwriting agreement, the Company will then be interested in an aggregate of 570,691,941 shares of CFSG, representing approximately 75.63% of the issued capital of CFSG as enlarged by the rights issue.