

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").

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

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 ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (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. Based on management's preliminary assessment, the adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" in the annual period beginning on 1 January 2005 will result in cessation of amortisation of goodwill to the income statement. Pursuant to HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", goodwill is to be recognised as an asset and reviewed for impairment at least annually and any impairment is recognised immediately in the income statement while the Group's current policy is to amortise goodwill on a straight-line basis over its useful economic life. During the year ended 31 December 2004, the amortisation of goodwill charged to the income statement amounted to approximately HK\$6,928,000.

Management is still considering the potential impact of other New HKFRSs but is not yet in a position to determine whether other New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Other 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 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 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 2004

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.

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For the year ended 31 December 2004

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 in securities 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.

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For the year ended 31 December 2004

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, including equities, futures and option contracts as well as leveraged foreign exchange contracts which are not for hedging purposes, 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.

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

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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 amounts 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 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.

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 schemes are charged as an expense as they fall due.

4. TURNOVER

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 (restated) |
|---|--|--------------------------------|
| Sales of furniture and household goods, net of discounts and returns | 884,339 | 842,063 |
| Fees and commission income | 210,729 | 173,610 |
| Interest income | 29,321 | 17,404 |
| Information technology advisory income | - | 754 |
| | 1,124,389 | 1,033,831 |

In previous years, loss on trading of securities, options, futures and leveraged foreign exchange contracts was classified as one of the items in turnover. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the comparative figure of the loss on trading of securities, options, futures and leveraged foreign exchange contracts was reclassified to conform with the current year's presentation.

Notes to the Financial Statements

For the year ended 31 December 2004

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, corporate finance services and wealth management |
| Retailing | Sales of furniture and household goods |
| Investment holding | Strategic investments |
| Others | Brand management and business solutions |

Income statement for the year ended 31 December 2004

| | Financial services HK\$'000 | Retailing HK\$'000 | Investment holding HK\$'000 | Others HK\$'000 | Consolidated HK\$'000 |
|---|-----------------------------------|-----------------------|-----------------------------------|--------------------|--------------------------|
| Turnover | 239,972 | 873,398 | 5 | 11,014 | 1,124,389 |
| Segment profit (loss) | 20,038 | (90,472) | (15,495) | (25,715) | (111,644) |
| Unallocated corporate expenses | | | | | (49,772) |
| Loss before taxation | | | | | (161,416) |
| Taxation | | | | | (356) |
| Loss after taxation and before minority interests | | | | | (161,772) |

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2004

| | Financial services HK\$'000 | Retailing HK\$'000 | Investment holding HK\$'000 | Others HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|-----------------------------------|-----------------------|-----------------------------------|--------------------|--------------------------|
| ASSETS | | | | | |
| Segment assets | 1,039,186 | 438,611 | 10,800 | 5,002 | 1,493,599 |
| Unallocated corporate assets | | | | | 40,782 |
| Consolidated total assets | | | | | 1,534,381 |
| LIABILITIES | | | | | |
| Segment liabilities | 788,527 | 265,017 | – | 2,604 | 1,056,148 |
| Unallocated corporate liabilities | | | | | 91,294 |
| Consolidated total liabilities | | | | | 1,147,442 |

Other information for the year ended 31 December 2004

| | 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 | 7,137 | 20,026 | – | 608 | 39,380 | 67,151 |
| (Write back of) Allowance for bad and doubtful debts | (1,139) | 6,269 | – | – | 2,500 | 7,630 |
| Depreciation and amortisation | 21,653 | 27,658 | – | 170 | 4,193 | 53,674 |
| Impairment losses | – | 12,060 | 15,500 | – | – | 27,560 |
| Loss on disposal of property and equipment | 7 | 4,646 | – | 93 | – | 4,746 |

Notes to the Financial Statements

For the year ended 31 December 2004

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 (restated) | 191,102 | 836,006 | 150 | 6,573 | 1,033,831 |
| Segment profit (loss) | 9,988 | (36,467) | 24,450 | (9,882) | (11,911) |
| Unallocated corporate expenses | | | | | (39,064) |
| Loss before taxation | | | | | (50,975) |
| Taxation | | | | | (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 2004

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 |

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 2004 HK\$'000 | 2003 HK\$'000 |
|--|-------------------------------|------------------|
| Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of: | | |
| Salaries, allowances and commission | 226,947 | 199,165 |
| Contributions to retirement benefits schemes | 7,829 | 5,532 |
| | 234,776 | 204,697 |

Notes to the Financial Statements

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7. FINANCE COSTS

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|--|-------------------------------|------------------|
| Interest on: | | |
| Bank overdrafts and loans wholly repayable within five years | 11,376 | 7,550 |
| Finance leases | 22 | 43 |
| | 11,398 | 7,593 |

8. DIRECTORS' REMUNERATION

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|---|-------------------------------|------------------|
| Fees: | | |
| Executive Directors | – | – |
| Independent non-executive Directors | 200 | 200 |
| Other remuneration paid to Executive Directors: | | |
| Salaries, allowances and other benefits | 10,073 | 7,376 |
| Contributions to retirement benefits schemes | 362 | 315 |
| Total remuneration | 10,635 | 7,891 |

The remuneration of the Directors fell within the following bands:

| | THE GROUP 2004 Number of Directors | 2003 Number of Directors |
|--------------------------------|---|--------------------------------|
| HK\$1,000,000 or less | 7 | 8 |
| HK\$1,000,001 to HK\$1,500,000 | 2 | 3 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | – |
| HK\$3,000,001 to HK\$3,500,000 | 1 | – |
| | 11 | 11 |

Notes to the Financial Statements

For the year ended 31 December 2004

8. DIRECTORS' REMUNERATION (continued)

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.

9. EMPLOYEES' REMUNERATION

The five highest paid employees included two (2003: one) Directors of the Company, details of whose remuneration is set out in note 8 above. The details of the remuneration of the remaining three (2003: four) individuals are as follows:

| | THE GROUP | |
|--|------------------|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Salaries, allowances and benefits in kind | 4,301 | 5,597 |
| Contributions to retirement benefits schemes | 118 | 219 |
| Performance related incentive payments | 182 | – |
| | 4,601 | 5,816 |

Their remuneration were within the following band:

| | 2004 | 2003 |
|--------------------------------|----------------------------|---------------------|
| | Number of employees | Number of employees |
| HK\$1,000,001 to HK\$1,500,000 | 2 | 2 |
| HK\$1,500,001 to HK\$2,000,000 | 1 | 2 |

Notes to the Financial Statements

For the year ended 31 December 2004

10. LOSS BEFORE TAXATION

| | THE GROUP | |
|---|------------------|----------|
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Loss before taxation has been arrived at after charging (crediting): | | |
| Advertising and promotion expenses | 40,194 | 44,906 |
| Allowance for inventory obsolescence and write-off of inventories (included in cost of sales) | 19,041 | 7,195 |
| Amortisation of intangible assets (included in depreciation and amortisation) | 1,830 | 1,830 |
| Amortisation of goodwill (included in depreciation and amortisation) | 6,928 | 4,351 |
| Auditors' remuneration | 2,680 | 2,400 |
| Depreciation and amortisation of property and equipment | | |
| Owned assets | 44,558 | 49,370 |
| Leased assets | 358 | 395 |
| | 44,916 | 49,765 |
| Loss on disposal of property and equipment | 4,746 | 1,941 |
| Operating lease rentals in respect of land and buildings | | |
| Minimum lease payments | 125,912 | 126,133 |
| Contingent rents | 3,233 | 2,390 |
| | 129,145 | 128,523 |
| Net foreign exchange gain | (3,560) | (8,339) |
| Dividends from investments | (1,015) | – |
| Deemed gain on partial disposal of interest in Pricerite | (769) | – |
| Gain on partial disposal of interest in CFSG | – | (6,321) |

Notes to the Financial Statements

For the year ended 31 December 2004

11. TAXATION

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|------------------------------|--|------------------|
| Hong Kong Profits Tax: | | |
| Provision for the year | 350 | 134 |
| Underprovision in prior year | 6 | – |
| | 356 | 134 |

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both 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 | (161,416) | (50,975) |
| Taxation at income tax rate of 17.5% | (28,248) | (8,921) |
| Tax effect of estimated tax losses not recognised | 16,385 | 15,115 |
| Tax effect of expenses not deductible for tax purpose | 17,745 | 5,402 |
| Tax effect of income not taxable for tax purpose | (988) | (6,080) |
| Tax effect of utilisation of estimated tax losses previously not recognised | (4,532) | (6,101) |
| Underprovision of taxation in prior years | 6 | – |
| Others | (12) | 719 |
| Taxation charge for the year | 356 | 134 |

Notes to the Financial Statements

For the year ended 31 December 2004

11.TAXATION (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 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 and 1 January 2004 | (4,589) | 4,589 | – |
| Credit (Charge) to income statement | 95 | (95) | – |
| At 31 December 2004 | (4,494) | 4,494 | – |

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

At the balance sheet date, the Group has unused estimated tax losses of HK\$587,250,000 (2003: HK\$520,070,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$25,680,000 (2003: HK\$26,223,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses HK\$561,570,000 (2003: HK\$493,847,000) 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 2004 together with the comparative figures for 2003 is based on the following data:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--|--------------------|------------------|
| Loss for the purposes of basic and diluted loss per share | (144,166) | (51,629) |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 384,959,237 | 340,333,142 |
| 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 | 384,959,237 | 340,333,142 |

The calculation of diluted loss per share for the both years did not:

- (i) adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries' shares; and
- (ii) assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of the 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 2004 | 55,000 | 10,000 | 96,970 | 186,388 | 3,360 | 351,718 |
| Additions | 39,380 | – | 9,863 | 17,908 | – | 67,151 |
| Disposals | – | – | (12,848) | (11,248) | (220) | (24,316) |
| At 31 December 2004 | 94,380 | 10,000 | 93,985 | 193,048 | 3,140 | 394,553 |
| ACCUMULATED DEPRECIATION AND AMORTISATION AND IMPAIRMENT | | | | | | |
| At 1 January 2004 | 21,668 | 10,000 | 53,888 | 131,136 | 954 | 217,646 |
| Provided for the year | 3,197 | – | 18,079 | 22,497 | 1,143 | 44,916 |
| Impairment loss recognised in the income statement | – | – | 899 | 1,161 | – | 2,060 |
| Eliminated on disposals | – | – | (10,214) | (8,892) | (83) | (19,189) |
| At 31 December 2004 | 24,865 | 10,000 | 62,652 | 145,902 | 2,014 | 245,433 |
| NET BOOK VALUES | | | | | | |
| At 31 December 2004 | 69,515 | – | 31,333 | 47,146 | 1,126 | 149,120 |
| At 31 December 2003 | 33,332 | – | 43,082 | 55,252 | 2,406 | 134,072 |

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 leasehold land and buildings with a net book value of approximately HK\$65,705,000 (2003: HK\$29,425,000) held by the Group were pledged to secure general banking facilities granted to the Group.

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13.PROPERTY AND EQUIPMENT (continued)

The net book values of furniture, fixtures and equipment of HK\$47,146,000 and motor vehicles of HK\$1,126,000 included an amount of HK\$83,000 (2003: HK\$142,000) and HK\$334,000 (2003: HK\$772,000) 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 2004 and 31 December 2004 | 8,426 | 11,130 | 19,556 |
| ACCUMULATED DEPRECIATION | | | |
| At 1 January 2004 | 7,106 | 11,130 | 18,236 |
| Provided for the year | 768 | – | 768 |
| At 31 December 2004 | 7,874 | 11,130 | 19,004 |
| NET BOOK VALUES | | | |
| At 31 December 2004 | 552 | – | 552 |
| At 31 December 2003 | 1,320 | – | 1,320 |

14.INVESTMENTS IN SUBSIDIARIES

| | THE COMPANY 2004 HK\$'000 | 2003 HK\$'000 |
|----------------------------|---|-------------------------|
| Unlisted shares, at cost | 60,793 | 60,793 |
| Impairment loss recognised | (60,793) | (60,793) |
| | – | – |

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14.INVESTMENTS IN SUBSIDIARIES (continued)

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 |
|------------------------------------|------------------------|------------------------------|---|---|
| CFSG | Bermuda | Ordinary HK\$75,455,644 | 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\$22,000,000 | 51.27 | Provision of corporate finance services |
| Celestial Commodities Limited | Hong Kong | Ordinary HK\$10,000,000 | 51.27 | Futures and options broking and trading |
| Celestial Investments (HK) Limited | Hong Kong | Ordinary HK\$2 | 51.27 | Money lending |

Notes to the Financial Statements

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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 Securities Limited ("CSL") | Hong Kong | Ordinary HK\$120,000,000 | 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 |
| CASH Frederick Taylor Limited ("CASH Frederick Taylor") | Hong Kong | Ordinary* HK\$1,000,000 | 35.89 | Financial advisory consultancy |
| Pricerite | Bermuda | Ordinary HK\$13,333,856 | 66.53 | Investment holding |
| Pricerite Stores Limited ("PSL") | Hong Kong | Ordinary HK\$5,001,000 | 66.53 | Retailing of furniture and household goods |
| Pricerite.com.hk Limited | Hong Kong | Ordinary HK\$2 | 66.53 | Retailing of furniture and household goods through a website |

Notes to the Financial Statements

For the year ended 31 December 2004

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 |
|---------------------------|------------------------|------------------------------|---|---|
| 3C Digital Limited ("3C") | Hong Kong | Ordinary ** HK\$100 | 39.92 | Retailing of digital products and electrical appliances |
| Cosmos Global Limited | Hong Kong | Ordinary HK\$2 | 66.53 | Wholesale and retailing of branded household products |
| E-Tailer Holding Limited | British Virgin Islands | Ordinary US\$1 | 66.53 | Trading of securities |

* The Group holds a 35.89% effective 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 Group holds a 39.92% effective interest in 3C and controls a 60% of voting power at general meeting of 3C through the 66.53% interest in Pricerite.

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

Notes to the Financial Statements

For the year ended 31 December 2004

15.INVESTMENTS

| | Investment securities | | THE GROUP Other investments | | Total | |
|---|-----------------------|------------------|--------------------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Equity securities: | | | | | | |
| Non-current | | | | | | |
| Unlisted, at cost | 312,200 | 317,000 | – | – | 312,200 | 317,000 |
| Impairment loss recognised | (301,400) | (301,500) | – | – | (301,400) | (301,500) |
| | 10,800 | 15,500 | – | – | 10,800 | 15,500 |
| Current | | | | | | |
| Listed in Hong Kong, at market value | – | – | 64,700 | 61,200 | 64,700 | 61,200 |
| | 10,800 | 15,500 | 64,700 | 61,200 | 75,500 | 76,700 |

Notes to the Financial Statements

For the year ended 31 December 2004

16. GOODWILL

| | THE GROUP HK\$'000 |
|---|-------------------------------|
| COST | |
| At 1 January 2004 | 111,500 |
| Arising on additional payment for acquisition of a subsidiary (note (ii)) | 1,400 |
| Arising on subscription of CFSG's rights shares | 1,919 |
| | <hr/> |
| At 31 December 2004 | 114,819 |
| AMORTISATION AND IMPAIRMENT | |
| At 1 January 2004 | 40,692 |
| Charged for the year | 6,928 |
| Impairment loss recognised (note (iii)) | 10,000 |
| | <hr/> |
| At 31 December 2004 | 57,620 |
| NET BOOK VALUES | |
| At 31 December 2004 | 57,199 |
| | <hr/> |
| At 31 December 2003 | 70,808 |
| | <hr/> |

Notes

- (i) The amortisation period adopted for goodwill is from 3 to 20 years.
- (ii) Pursuant to the sales and purchase agreement relating to the sale and purchase of 700,000 shares in the issued capital of CASH Frederick Taylor (formerly known as Frederick Taylor International Financial Services Limited) entered into between the Group and the vendors dated 1 July 2003, the Group undertook to pay the vendors an additional amount of HK\$1,400,000 if certain conditions could be fulfilled in 2004. As these conditions were fulfilled, the Group paid a total amount of HK\$1,400,000 to the vendors. Accordingly, the consideration for the acquisition of CASH Frederick Taylor was adjusted.
- (iii) Due to continuous losses incurred by the subsidiaries principally engaging in wholesale and retailing of furniture and household goods, the Directors reassessed the recoverable amount of the goodwill arising on acquisition of these subsidiaries and recognised an impairment loss of approximately HK\$10,000,000 which was determined with reference to the estimated amount obtainable from the sale of these subsidiaries less cost of disposal.

Notes to the Financial Statements

For the year ended 31 December 2004

17. INTANGIBLE ASSETS

| | THE GROUP HK\$'000 |
|--|-----------------------|
| COST | |
| At 1 January 2004 and 31 December 2004 | 18,235 |
| AMORTISATION | |
| At 1 January 2004 | 7,313 |
| Charged for the year | 1,830 |
| At 31 December 2004 | 9,143 |
| NET BOOK VALUES | |
| At 31 December 2004 | 9,092 |
| At 31 December 2003 | 10,922 |

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

18. OTHER ASSETS

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|---|-------------------------------|------------------|
| Club memberships | 3,929 | 3,929 |
| Statutory and other deposits | 6,617 | 5,016 |
| Prepayment for advertising and telecommunication services | 8,531 | 19,744 |
| Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables | (5,731) | (7,185) |
| | 13,346 | 21,504 |

Notes to the Financial Statements

For the year ended 31 December 2004

19.LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|--------------------------------------|--|--------------------------------|
| Matured within 180 days | 17,039 | 700 |
| Matured between 181 days to 365 days | 3,584 | – |
| Matured within one year | 20,623 | 700 |
| Matured over one year | 19,334 | – |
| | 39,957 | 700 |

Loans receivable with an aggregate carrying value of approximately HK\$22,968,000 are secured by pledged marketable securities.

20.INVENTORIES

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|------------------------------|--|--------------------------------|
| Finished goods held for sale | 59,013 | 61,295 |

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

Notes to the Financial Statements

For the year ended 31 December 2004

21.ACCOUNTS RECEIVABLE

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|---|-------------------------------|------------------|
| Accounts receivable arising from the business of dealing in securities and equity options: | | |
| Clearing houses, brokers and dealers | 16,168 | 93,675 |
| Cash clients | 86,935 | 49,975 |
| Margin clients | 183,287 | 285,895 |
| Accounts receivable arising from the business of dealing in futures and options: | | |
| Clearing houses, brokers and dealers | 72,989 | 56,045 |
| Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products | 3,302 | 2,909 |
| Accounts receivable arising from the business of provision of corporate finance services | 510 | 1,058 |
| Trade debtors | 1,856 | 8,171 |
| | 365,047 | 497,728 |

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 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 2004

21. ACCOUNTS RECEIVABLE (continued)

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

| Name of company | Balance at 31.12.2004 HK\$'000 | Balance at 1.1.2004 HK\$'000 | Maximum amount outstanding during the year HK\$'000 |
|---|---|---|--|
| Cash Guardian Limited ("Cash Guardian") | 10,178 | 9,732 | 10,590 |

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:

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--------------|--------------------------|--------------------------|
| 0-30 days | 4,167 | 8,666 |
| 31-60 days | 619 | 332 |
| 61-90 days | 307 | 484 |
| Over 90 days | 575 | 2,656 |
| | 5,668 | 12,138 |

Notes to the Financial Statements

For the year ended 31 December 2004

22.BANK DEPOSITS UNDER CONDITIONS

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|----------------------------------|-------------------------------|------------------|
| Other bank deposits (Note (a)) | 16,018 | 15,808 |
| Pledged bank deposits (Note (b)) | 36,766 | 20,757 |
| | 52,784 | 36,565 |

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 (2003: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.
- (b) The Group's bank deposits of HK\$36,766,000 (2003: HK\$20,757,000) were pledged to banks to secure general banking facilities granted to subsidiaries.

23.ACCOUNTS PAYABLE

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|--|-------------------------------|------------------|
| Accounts payable arising from the business of dealing in securities and equity options: | | |
| Cash clients | 353,113 | 373,929 |
| Margin clients | 64,168 | 69,289 |
| Clearing houses, brokers and dealers | 39,875 | – |
| Accounts payable to clients arising from the business of dealing in futures and options | 156,151 | 120,644 |
| Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts | 3,599 | – |
| Trade creditors | 168,084 | 175,617 |
| | 784,990 | 739,479 |

Notes to the Financial Statements

For the year ended 31 December 2004

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

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

| | 2004 HK\$'000 | 2003 HK\$'000 |
|--------------|------------------|------------------|
| 0-30 days | 94,520 | 63,016 |
| 31-60 days | 40,880 | 44,563 |
| 61-90 days | 21,203 | 42,449 |
| Over 90 days | 11,481 | 25,589 |
| | 168,084 | 175,617 |

Notes to the Financial Statements

For the year ended 31 December 2004

24.OBLIGATIONS UNDER FINANCE LEASES

| | THE GROUP | | | |
|--|------------------------|------------------|---|------------------|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Amounts payable under finance leases | | | | |
| Within one year | 96 | 518 | 93 | 504 |
| In the second to fifth year inclusive | – | 128 | – | 126 |
| | 96 | 646 | 93 | 630 |
| Less: Future finance charges | 3 | 16 | – | – |
| Present value of lease obligations | 93 | 630 | 93 | 630 |
| Less: Amount due for payment within one year | | | 93 | 504 |
| Amount due for payment after one year | | | – | 126 |

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 2004

25.BANK BORROWINGS

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|---------------------|-------------------------------|------------------|
| Bank overdrafts | 40,132 | 68,460 |
| Bank loans | 125,897 | 212,500 |
| Trust receipt loans | 57,200 | 60,982 |
| | 223,229 | 341,942 |
| Unsecured | – | 1,850 |
| Secured | 223,229 | 340,092 |
| | 223,229 | 341,942 |

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

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|--|-------------------------------|------------------|
| On demand or within one year | 181,777 | 322,442 |
| More than one year, but not exceeding two years | 6,634 | 6,000 |
| More than two years, but not exceeding five years | 34,818 | 13,500 |
| | 223,229 | 341,942 |
| Less: Amount due within one year shown under current liabilities | (181,777) | (322,442) |
| Amount due after one year | 41,452 | 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.

At 31 December 2004, the Group's bank borrowings of HK\$223,229,000 (2003: HK\$340,092,000) 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);

Notes to the Financial Statements

For the year ended 31 December 2004

25.BANK BORROWINGS (continued)

(c) pledge of the Group's certain leasehold land and buildings; and

(d) pledge of HK\$36,766,000 (2003: HK\$20,757,000) bank deposits.

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 (2003: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

26.SHARE CAPITAL

| | Notes | Number of shares '000 | Amount HK\$'000 |
|--|-------|-----------------------------|--------------------|
| Ordinary shares of HK\$0.10 each | | | |
| Authorised: | | | |
| At 1 January 2003 and 1 January 2004 | | 500,000 | 50,000 |
| Increase during the year | (a) | 500,000 | 50,000 |
| At 31 December 2004 | | 1,000,000 | 100,000 |
| Issued and fully paid: | | | |
| At 1 January 2003 | | 305,484 | 30,548 |
| Issue of new shares | | 60,000 | 6,000 |
| At 31 December 2003 and 1 January 2004 | | 365,484 | 36,548 |
| Issue of new shares | (b) | 72,000 | 7,200 |
| At 31 December 2004 | | 437,484 | 43,748 |

Notes:

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

Notes to the Financial Statements

For the year ended 31 December 2004

26.SHARE CAPITAL (continued)

- (b) Pursuant to an agreement dated 19 August 2004, 72,000,000 new shares of HK\$0.10 each were issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party, at the subscription price of HK\$0.330 per share upon completion of the agreement on 24 September 2004. The proceeds of approximately HK\$23,760,000 was used as to approximately HK\$20,000,000 for the development of the international business while the balance as the general working capital of the Group.

27.RESERVES

| | 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 2003 | 268,848 | 457,461 | 1,160 | 12,314 | (394,526) | 345,257 |
| Impairment loss recognised in respect of goodwill | – | 300 | – | – | – | 300 |
| Issue of new shares | 10,500 | – | – | – | – | 10,500 |
| Share issue expenses | (76) | – | – | – | – | (76) |
| Amount transferred to write off accumulated losses | – | (441,037) | – | – | 441,037 | – |
| Net loss for the year | – | – | – | – | (51,629) | (51,629) |
| At 31 December 2003 and 1 January 2004 | 279,272 | 16,724 | 1,160 | 12,314 | (5,118) | 304,352 |
| Issue of new shares | 16,560 | – | – | – | – | 16,560 |
| Share issue expenses | (655) | – | – | – | – | (655) |
| Net loss for the year | – | – | – | – | (144,166) | (144,166) |
| At 31 December 2004 | 295,177 | 16,724 | 1,160 | 12,314 | (149,284) | 176,091 |

Notes to the Financial Statements

For the year ended 31 December 2004

27.RESERVES (continued)

| | Share premium HK\$'000 | Contributed surplus HK\$'000 | Accumulated Losses HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------------|-----------------------------------|-------------------|
| THE COMPANY | | | | |
| At 1 January 2003 | 266,810 | 518,554 | (441,037) | 344,327 |
| Issue of new shares | 10,500 | – | – | 10,500 |
| Share issue expenses | (406) | – | – | (406) |
| Amount transferred to write off accumulated losses | – | (441,037) | 441,037 | – |
| Net loss for the year | – | – | (51,596) | (51,596) |
| At 31 December 2003 and 1 January 2004 | 276,904 | 77,517 | (51,596) | 302,825 |
| Issue of new shares (Note 26 (b)) | 16,560 | – | – | 16,560 |
| Share issue expenses | (655) | – | – | (655) |
| Net loss for the year | – | – | (144,069) | (144,069) |
| At 31 December 2004 | 292,809 | 77,517 | (195,665) | (174,661) |

Notes:

- (a) All the reserves of the Group are attributable to the Company and its subsidiaries.
- (b) 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.
- (c) 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.
- (d) 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.

Notes to the Financial Statements

For the year ended 31 December 2004

27.RESERVES (continued)

- (e) 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.
- (f) 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 less than the aggregate of its liabilities and its issued share capital and share premium accounts.

28.CONVERTIBLE NOTES

The convertible note was issued by CFSG and is payable to ARTAR, an independent third party. It bears interest at a rate of 3% per annum and is matured on 31 December 2006 or any other date mutually agreed between the Group and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and is not entitled to vote at general meetings of CFSG. CFSG has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The note is transferable to persons who are not a connected person of the Group with the consent of the Group provided that such consent is not required for transfer to the wholly-owned subsidiaries of ARTAR. At 31 December 2004, the outstanding amount of the convertible note was HK\$40,500,000 convertible into a total number of 150,000,000 shares of CFSG at the initial conversion price of HK\$0.27 (subject to adjustment).

29.MAJOR NON-CASH TRANSACTIONS

Pursuant to an agreement entered into between the Group and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised advertising and telecommunication services amounting to approximately HK\$11,213,000 (2003: HK\$13,269,000).

Notes to the Financial Statements

For the year ended 31 December 2004

30. CONTINGENT LIABILITIES

- (a) In prior years, 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. The Directors do not envisage the claim by Cheung will be held valid. Accordingly, no provision was made in the financial statements.
- (b) In prior year, 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. The Company 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) In prior year, 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.
- (d) In prior year, 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.

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For the year ended 31 December 2004

30. CONTINGENT LIABILITIES (continued)

- (e) In prior year, 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. 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.
- (f) 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 these financial statements as in the opinion of the Directors, the amount of the potential liability is not significant.
- (g) 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 2004 amounted to approximately HK\$26,848,000 (2003: HK\$39,606,000).

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 | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Within one year | 95,833 | 121,505 | 5,059 | 6,544 |
| In the second to fifth year inclusive | 117,775 | 152,706 | 21,267 | 19,631 |
| After five years | – | 2,873 | – | – |
| | 213,608 | 277,084 | 26,326 | 26,175 |

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 2004

32.SHARE OPTION SCHEMES

(A) Share option schemes of the Company

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group") and 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 36,548,382 shares, representing 8.35% 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

32.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

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 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 1/1/2003 | granted in 2003 | lapsed in 2003 (Note [3]) | outstanding as at 31/12/2003 and 1/1/2004 | lapsed in 2004 (Note [3]) | outstanding as at 31/12/2004 |
| | | | | | | | | | | |
| Directors | | | | | | | | | | |
| Old Option Scheme | 10/1/2000 | 16.000 | 10/1/2001-9/1/2003 | | 500,000 | - | (500,000) | - | - | - |
| | 6/11/2000 | 5.400 | 16/5/2001-15/5/2003 | (2) | 1,500,000 | - | (1,500,000) | - | - | - |
| | 31/8/2001 | 2.600 | 1/3/2002-28/2/2004 | (2) | 1,500,000 | - | - | 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) | - | - | - |
| | 2/5/2002 | 1.320 | 1/11/2002-31/10/2003 | (2) | 1,100,000 | - | (1,100,000) | - | - | - |
| | 2/12/2003 | 0.502 | 2/12/2003-30/11/2005 | | - | 16,000,000 | - | 16,000,000 | (1,000,000) | 15,000,000 |
| | | | | | 21,100,000 | 16,000,000 | (19,600,000) | 17,500,000 | (2,500,000) | 15,000,000 |
| Employees | | | | | | | | | | |
| Old Option Scheme | 28/7/2000 | 9.800 | 1/2/2001-31/1/2003 | (1) | 50,000 | - | (50,000) | - | - | - |
| | 6/11/2000 | 5.400 | 16/5/2001-15/5/2003 | (2) | 1,000,000 | - | (1,000,000) | - | - | - |
| | 6/11/2000 | 5.400 | 16/5/2001-15/5/2003 | (1) | 300,000 | - | (300,000) | - | - | - |
| | 2/2/2001 | 4.800 | 16/8/2001-15/8/2003 | (1) | 300,000 | - | (300,000) | - | - | - |
| | 31/8/2001 | 2.600 | 1/3/2002-28/2/2004 | (2) | 3,000,000 | - | - | 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) | - | - | - |
| | 2/5/2002 | 1.320 | 1/11/2002-31/10/2003 | (2) | 1,500,000 | - | (1,500,000) | - | - | - |
| | | | | | 9,150,000 | - | (6,150,000) | 3,000,000 | (3,000,000) | - |
| | | | | 30,250,000 | 16,000,000 | (25,750,000) | 20,500,000 | (5,500,000) | 15,000,000 | |

Notes:

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

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

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

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

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

The exercise in full of the outstanding 15,000,000 share options at 31 December 2004 would, under the present capital structure of the Company, result in the issue of 15,000,000 additional shares for a total cash consideration, before expenses, of approximately HK\$7,530,000.

(B) Share option schemes of CFSG

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the CASH Group; or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

- (iii) The maximum number of shares in respect of which options might be granted under the CFSG New Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the CFSG New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CFSG New Option Scheme and any other share option scheme must not exceed 30% of the share in issue from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the CFSG New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (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.

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

The following table discloses details of the share options granted by CFSG 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 1/1/2003 | lapsed in 2003 | adjusted on 4/11/2003 | outstanding as at 31/12/2003 and 1/1/2004 | | | | lapsed in 2004 | outstanding as at 31/12/2004 |
| | | | | | | | | granted in 2003 | adjusted on 24/4/2004 | | | | |
| Directors | | | | | | | | | | | | | |
| CFSG Old Option Scheme | 26/3/2001 | 0.83 | 1/10/2001-30/9/2004 | (1),(2)&(3) | 4,000,000 | - | 4,160,000 | - | 8,160,000 | 2,448,000 | (10,608,000) | - | - |
| CFSG New Option Scheme | 3/11/2003 | 0.46 | 3/11/2003-31/10/2004 | (2) | - | - | - | 8,750,000 | 8,750,000 | 2,625,000 | (11,375,000) | - | - |
| | 2/12/2003 | 0.34 | 2/12/2003-30/11/2005 | (2) | - | - | - | 19,600,000 | 19,600,000 | 5,880,000 | (3,185,000) | 22,295,000 | - |
| | | | | | 4,000,000 | - | 4,160,000 | 28,350,000 | 36,510,000 | 10,953,000 | (25,168,000) | 22,295,000 | - |
| Employees | | | | | | | | | | | | | |
| CFSG Old Option Scheme | 26/3/2001 | 0.83 | 1/10/2001-30/9/2004 | (1),(2)&(3) | 1,000,000 | - | 1,040,000 | - | 2,040,000 | 612,000 | (2,652,000) | - | - |
| | 27/3/2001 | 0.83 | 1/10/2001-30/9/2004 | (1),(2)&(3) | 645,000 | (275,000) | 384,800 | - | 754,800 | 220,320 | (975,120) | - | - |
| 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 | 1/6/2004-31/5/2006 | (2)&(3) | - | - | - | 17,750,000 | 17,750,000 | 5,115,000 | (1,675,000) | 21,190,000 | - |
| | | | | | 1,645,000 | (275,000) | 1,424,800 | 21,500,000 | 24,294,800 | 7,072,320 | (10,177,120) | 21,190,000 | - |
| | | | | | 5,645,000 | (275,000) | 5,584,800 | 49,850,000 | 60,804,800 | 18,025,320 | (35,345,120) | 43,485,000 | - |

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

(C) Share option schemes of Pricerite

Pursuant to an ordinary resolution passed at the special general meeting of Pricerite held on 19 February 2002, Pricerite adopted the share option scheme ("Pricerite New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("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.

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

- (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.
- (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.

Notes to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

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

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

The following table discloses details of the share options granted by 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 | | | | | | | | | | |
| | | | | | outstanding as at | adjusted on | lapsed in 2003 | granted in | 31/12/2003 and | adjusted on | adjusted on | exercised during the year | cancelled during the year | lapsed in 2004 | outstanding as at |
| | | | | | 1/1/2003 | 6/5/2003 | | 2003 | 2003 | 11/1/2004 | 2/3/2004 | | | | 11/9/2004 |
| Directors | | | | | | | | | | | | | | | |
| Pricerite 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) | 59,000,000 | (56,050,000) | (1,000,000) | - | 1,950,000 | - | - | - | - | (1,950,000) | - |
| Pricerite 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) | - | - | - | 1,000,000 | 1,000,000 | 4,000,000 | 666,666 | - | - | - | 5,666,666 |
| | | | | | 80,600,000 | (76,570,000) | (2,080,000) | 4,000,000 | 5,950,000 | 16,000,000 | 2,666,666 | (200,000) | (5,466,666) | (13,283,334) | 5,666,666 |
| Employees | | | | | | | | | | | | | | | |
| Pricerite 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) | 42,500,000 | (38,000,000) | (2,750,000) | - | 1,750,000 | - | - | - | - | (1,750,000) | - |
| Pricerite 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) | - | - | - | 3,500,000 | 3,500,000 | 14,000,000 | 2,333,334 | - | - | - | 19,833,334 |
| | | | | | 46,019,000 | (41,035,250) | (3,233,750) | 6,300,000 | 8,050,000 | 14,000,000 | 2,333,334 | (2,800,000) | - | (1,750,000) | 19,833,334 |
| | | | | | 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 to the Financial Statements

For the year ended 31 December 2004

32.SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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 prices per share were 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 Pricerite for 1 share into 5 shares with effect from 2 March 2004. The exercise price per share was adjusted from HK\$1.79 to HK\$0.358.
- (3) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in Pricerite 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2004

33. RETIREMENT BENEFITS SCHEMES (continued)

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\$8,052,000 (2003: HK\$6,360,000) and HK\$223,000 (2003: HK\$828,000) respectively for the year ended 31 December 2004.

34. COMMITMENTS

(a) Interest rate swap

At 31 December 2004, 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\$21,000,000 (2003: HK\$27,000,000) as set out in the agreement. In return, the bank agreed to pay the Group an interest at HIBOR rate.

(b) Underwriting commitment

At 31 December 2004, the Group had a underwriting commitment of HK\$27,200,000 in respect of the subscription of 40,000,000 shares of Emperor (China Concept) Investments Limited under the requirement of a corporate finance business. The deal was completed on 21 January 2005. The underwriting commitment of the Group was then fully discharged.

Notes to the Financial Statements

For the year ended 31 December 2004

34.COMMITMENTS (continued)

(c) Capital commitments

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

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|---|-------------------------------|------------------|
| Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the financial statements | - | 216 |
| 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 | - | 233,740 |
| | - | 233,956 |

(d) Forward foreign exchange contracts

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

34.COMMITMENTS (continued)

(e) Other commitment

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

| | THE GROUP 2004 HK\$'000 | 2003 HK\$'000 |
|--|-------------------------------|------------------|
| 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 | - | 5,012 |

35.RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

- During the year, the Group received interest from margin financing of approximately HK\$736,000 (2003: HK\$870,000) 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.
- During the year ended 31 December 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 a top up agreement dated 22 May 2003.

Notes to the Financial Statements

For the year ended 31 December 2004

36.POST BALANCE SHEET EVENTS

- (a) On 23 November 2004, the Group entered into a provisional sale and purchase agreement with a third party to dispose of a residential property in Hong Kong at a consideration of HK\$45,000,000. The sale was completed on 13 January 2005.
- (b) On 23 March 2005, Pricerite 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 Pricerite. The subscription of 83,000,000 new ordinary shares of Pricerite was completed on 6 April 2005. On 4 April 2005, Pricerite and the placing agent entered into an agreement pursuant to which Pricerite 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 Pricerite in China and as general working capital for Pricerite. In order to facilitate the placing of 223,000,000 new ordinary shares of Pricerite, an ordinary resolution will be proposed at a special general meeting of Pricerite to increase the authorised share capital of Pricerite 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. The placing of 223,000,000 new ordinary shares of Pricerite and the proposed increase of the authorised share capital of Pricerite is subject to the approval from the shareholders of Pricerite in a special general meeting to be convened. The Company's interest in Pricerite was decreased from 66.52% to 59.17% immediately after the issue of the subscription shares by Pricerite and will be further decreased to 45.60% immediately after the issue of the placing shares by Pricerite.