Celestial Asia Securities Holdings Limited

Annual Report 2003

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時機把握
富足一生

Corporate Profile

The CASH Group is a multi-faceted service conglomerate that addresses modern consumer needs in investment and wealth management, home improvement, business solutions as well as lifestyle products and services.

All our businesses share a common mission that our customers' interests always come first. Our brands are synonymous with good customer services, great quality and fabulous value.

FINANCIAL SERVICES

CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

CASH Financial Services Group (CFSG) is a leading financial services conglomerate in Hong Kong. We offer a comprehensive range of premier financial products and services, catering for the investment and wealth management needs of our clients. Our fully-fledged investment banking division serves regional corporations on a broad range of corporate finance and advisory matters.

Corporate Profile

HOME IMPROVEMENT

Pricerite Group (Pricerite) is a leading furniture and household retailer in the region. We provide quality products to improve the home living of our customers, as well as quality lifestyles for our customers to enjoy lives. Through our comprehensive store network and our own Internet shopping channel, Pricerite offers the best service and value to our customers. According to AC Nielson, Pricerite ranks first in market share for three consecutive years in a number of flagship products.

BUSINESS SOLUTIONS

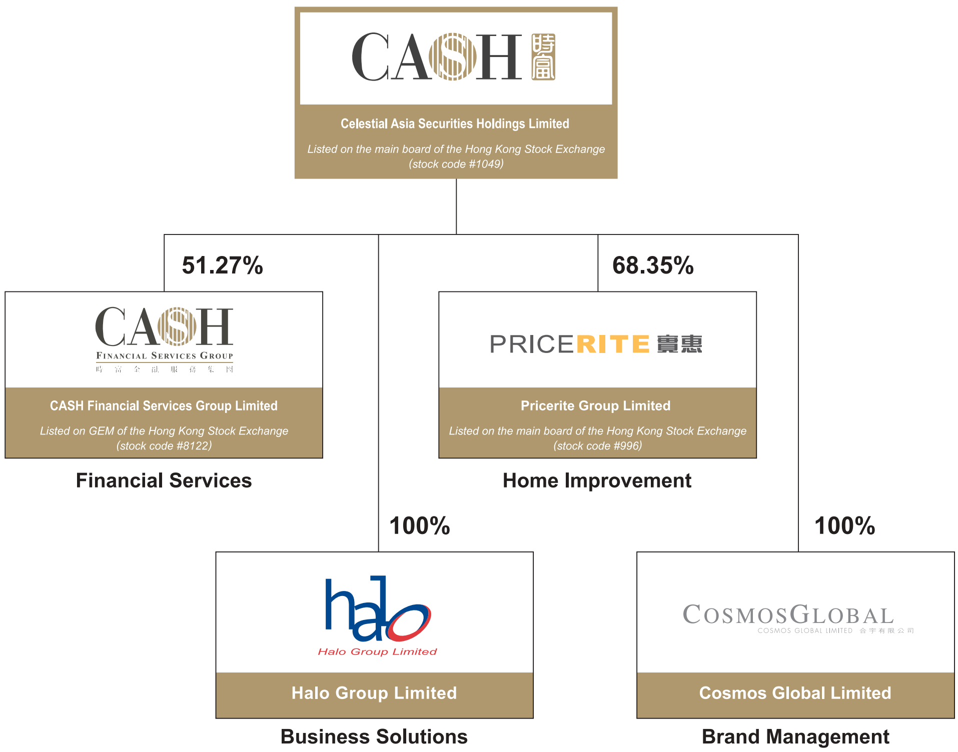
Halo Group (Halo) provides bespoke systems integration and consultancy services, as well as deploys generic modular platforms for clients to enhance the efficiency of their business processes and profitability. Halo also designs, assembles and retails our own brand of personal computers – Halo PC. Together with the trading of other IT products, Halo forms a strong IT arm of the CASH Group.

Corporate Profile

BRAND MANAGEMENT

Cosmos Global is a brand management company that supports brand owners to tap the Asia Pacific markets. Leveraging on the resources and capabilities of other CASH companies, Cosmos Global has since evolved into a total solution business partner for American and European brand owners. Today, Cosmos Global also plays an active role in supporting product development and sourcing for brand owners from Asia's efficient and low costs manufacturing base.

All CASH companies
(as at 31 December 2003)



Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee	*(Chairman & CEO)*
LAW Ping Wah Bernard	*(CFO)*
WONG Kin Yick Kenneth	*(Deputy CEO)*
MIAO Wen Hao Felix	*(Deputy CEO)*
CHAN Yau Ching Bob	
KWOK Oi Kuen Joan Elmond	
LAW Ka Kin Eugene	
LI Yuen Cheuk Thomas	

Independent Non-executive:

CHAN Hak Sin
LEUNG Ka Kui Johnny
WONG Chuk Yan

PRINCIPAL BANKERS

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

SOLICITORS

Richards Butler
Sidley Austin Brown & Wood

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY SECRETARIES

KWOK Oi Kuen Joan Elmond, *FCIS*
LUKE Wing Sheung, *ACIS*

AUDIT COMMITTEE

CHAN Hak Sin
LEUNG Ka Kui Johnny
WONG Chuk Yan

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

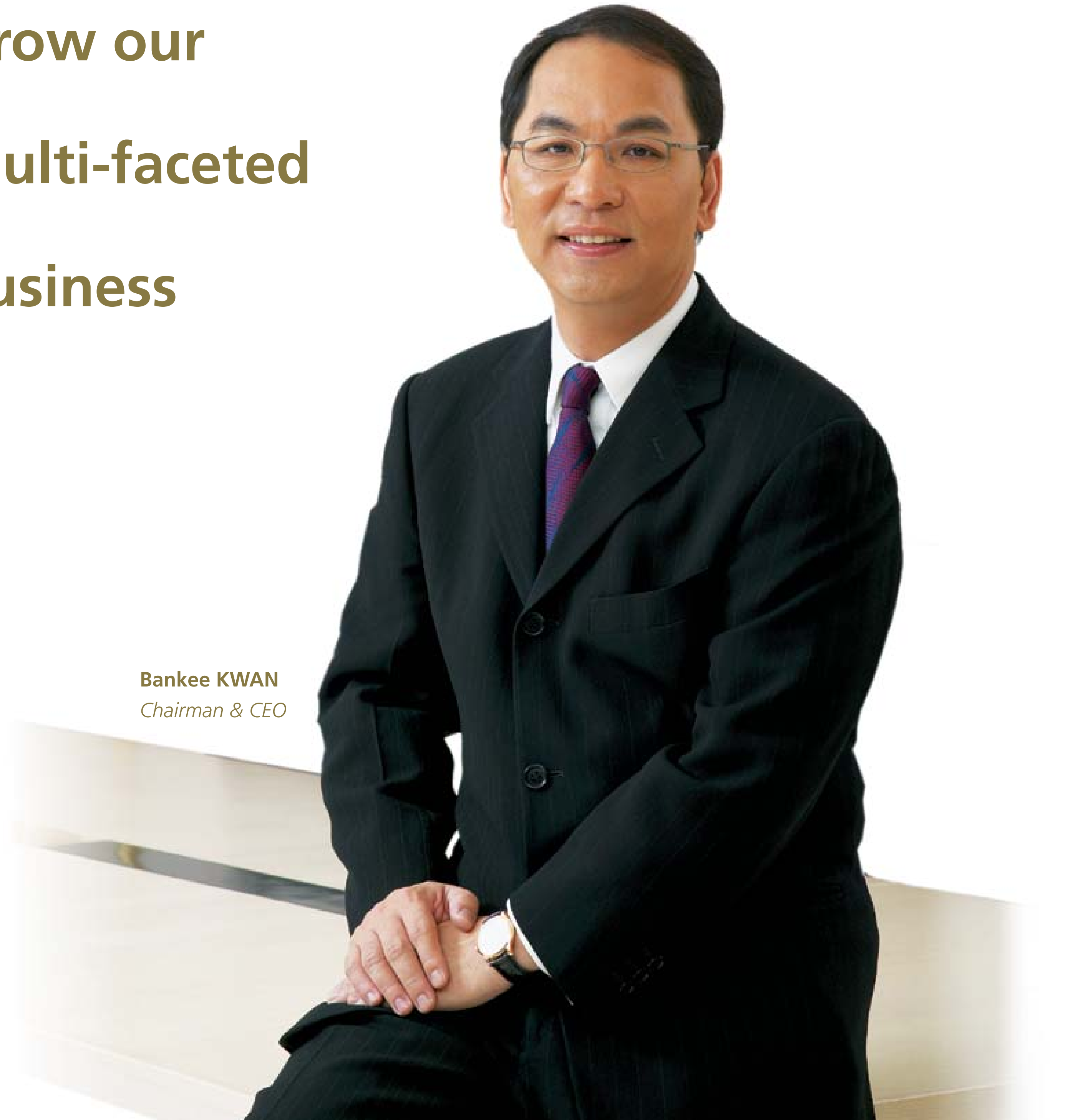
REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Standard Registrars Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

CONTACTS

Telephone	:	(852) 2287 8888
Facsimile	:	(852) 2287 8000
Website	:	www.cash.com.hk

Leveraging on our Human Capital to Grow our Multi-faceted Business



Bankee KWAN
Chairman & CEO

Chairman's Letter

Dear fellow shareholders,

It gives me great pleasure to present our 2003 annual results.

Last year we had greater difficulties than 2002. However, it was also a year when our previous hard work in costs rationalisation, re-engineering as well as explorations into new business areas began to bear fruit.

The first half of 2003 saw the glimmer of hope of an economic recovery disappear as a result of the outbreaks of the Iraqi War and the severe acute respiratory syndromes (SARS) epidemic.

The resulting drop in consumer confidence and hence consumer spending created unprecedented difficult retail and investment environment. All economic figures indicated a more depressed than ever Hong Kong economy. Total retail sales for the first half of 2003 recorded a year-on-year drop by 6.7% in value and 4.2% in volume; total number of first hand and second hand residential transactions dropped by more than 37% in value and 30% in volume in the first half of 2003; and Composite Consumer Price Index for June 2003 declined by 3.1%. Further, in May to July, unemployment had reached its record level of 8.7%. Consumer sentiments had hence declined to a new low.

Needless to say, all our businesses suffered as a consequence. Even though the economy began to recover, with retail sales improving by 6.8% in value and 5.8% in volume in December 2003; and the Composite Consumer Price Index narrowed to a 1.9% drop in December 2003; the impact of the SARS epidemic nonetheless impacted unfavourably on our overall performance.

However, despite the difficulties, we are happy to report that by the end of the year, our financial services business returned to profitability, while our retail business narrowed the gap resulting from the decline in turnover during the SARS period. Thanks to the conclusion of the Closer Economic Partnership Agreement (CEPA) and the implementation of the Mainland individual visitor scheme, the local economy rebounded vigorously during the second half of the year. Further, we made significance in roads into developing our international business – a move that will decrease the negative effects from future local economic downturn.

Moving forward, we will maintain our philosophy to grow our business through growing our human capital. Our aim, over the next three years, is to develop Cosmos Global, Halo and Pricerite into international businesses with their own respective category specialisation.

On behalf of our shareholders and my fellow board members, I would like to extend our heartfelt thanks to our excellent management team and diligent employees for their support and dedication, whose hard work contribute much to our solid foundation for the Group's future growth, and thus creating long-term shareholder values.

Yours sincerely,

Bankee P Kwan
Chairman & CEO

Delivering Investment and Wealth Management Solutions with Versatility

Management Discussion and Analysis

BUSINESS REVIEW

Financial Services – CFSG

Global and local market environment, together with regulatory reforms including the abolition of minimum brokerage commissions and the implementation of the Securities and Futures Ordinance, necessitated that to effectively compete in the new landscape, brokerage businesses must more than ever be mindful of and strive for optimal operational efficiency.

In anticipation of the regulatory changes in the industry and the increasing adverse business environment, CFSG continued with its business re-engineering programme that began in 2002 to rationalise costs and business structures. These imperatives, culminating with the rationalisation of our branch network in February, have not only put us in good stead to weather market uncertainties, but also ensured that our lean cost base would position us well to benefit from any potential market rebound.

As a result, the operating costs of CFSG in 2003 were reduced by 21.8% to HK$156.9 million from 2002. As it also turned out, our continuous focus on cost leadership paid off. We were among the first company in the brokerage industry as well as the local economy that has come out of the trough of the market cycle. We managed to turn back into positive profit territory as early as the impact of SARS showed signs of abating.

The local stock market had since been revived on the prospect of a global recovery and as investors' sentiments were bolstered by positive policy measures, CEPA in particular, both on the part of the HKSAR and the Central Government. Operating from a low cost base, CFSG was quick to capitalise on this market turnaround and began to operate decisively in black since the beginning of the third quarter as confidence for a sustainable economic recovery continued to rise.

Management Discussion and Analysis

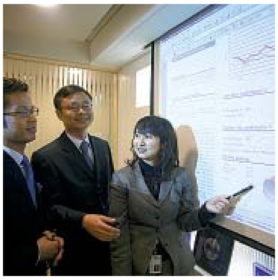
For the full year, CFSG turned in net profit of a convincing HK$10.7 million with a respectable fourth quarter net profit of HK$13.1 million. Business turnover was also on the rise and increased by 50.1% year-on-year from HK$84.5 million to HK$126.8 million in the second half. These positive results are in fact testimonial to the cumulative efforts of our re-engineering and rationalisation works over the past several years, while reflecting enviable growth potential going forward.

Servicing Clients with Versatility

CFSG has stated as a key component of its development strategy the diversification of product offerings both with a view to better service our clients as well as to minimise the impact on business performance of market cycles. We remain firmly on course on the strategy as we continue our pursuit of establishing ourselves as the financial services house of choice for our clients.

In July 2003, CFSG acquired Frederick Taylor International Financial Services Limited (renamed CASH Frederick Taylor Limited), an independent financial advisory firm, in a move that provided us with a springboard into the fast growing and yet currently lowly penetrated market of financial planning. Through the acquisition, the product offerings of CFSG have been complemented with a wide range of mid- to long-term investment products and services, enabling us to cater for our clients' full spectrum of investment needs. Albeit with a short history, our team of financial planning professionals has since been growing at an encouraging pace, turning in revenues which now already represent a decent percentage of our overall income, and supporting and boding well for our multiple-product and active client cross-selling approach.

On another front, investment banking remains a pillar business and a major revenue contributor alongside our equity and commodities brokerage operation and our newly acquired personal financial planning arm.



Management Discussion and Analysis

In August 2003, with a view to continue to develop our core competence in investment banking and in anticipation of growing business opportunities as the equities market recovers, CFSG acquired Chateron Corporate Finance Limited, a prominent investment banking house previously known as Pacific Challenge Capital Limited. Chateron, which specialises in corporate finance and financial advisory services with a team of high-calibre corporate finance professionals, an excellent track record, and strong credentials in mergers and acquisitions, initial public offerings (IPO) and financial advisory, is a vital addition to our already fully-fledged investment banking division.

As CFSG pursues the strategy to diversify our income sources, we remain steadfast on pursuing the continuous development of our core brokerage businesses, constantly seeking to enhance service quality in order to meet the needs of our clients. During the year under review, we invested substantially to upgrade our trading platform (for example the introduction of a "stop loss limit order" function), and added new types of product offerings. As a result, in addition to the traditional and existing offerings, we are now in a position to provide in-house a full range of short- to medium-term structured products, have expanded in the range of commodities and future products, are in the process of re-introducing forex trading services, and have from time to time supported the Hong Kong Exchanges in its launches of new derivatives products (for example, we are among the major sponsors of the Exchanges' latest launch of the H-share Index Futures).

Providing Best Value Products to Enhance Home Living and Lifestyles

Management Discussion and Analysis

Home Improvement – Pricerite

In the first two quarters of the year, the general business environment continued to slow down following the five-year long deflation. For the first six months of 2003, total sales of Pricerite amounted to HK$388.3 million, representing a 16.7% decline from the same period in 2002.

Since July, the Hong Kong economy started to recover fairly rapidly. Among other developments, the Central Government announced to grant HKSAR the CEPA, granting Hong Kong produced products free of import duties since January 2004. The Central Government also announced to lift certain restrictions on the travelling of Mainland visitors to Hong Kong, which led to a significant increase in visitor flow. Consumer sentiments were then aroused.

The business of Pricerite had also been recovering since then, particularly in the furniture division. In December, furniture sales had recovered to exceed the December sales in 2002 by 36.2%.

As a summary to the overall performance of the year's business, the sales revenues have been maintained at HK$836.0 million, as compared to the 2002 level of HK$889.9 million.

Amid the ups and downs in the economy, Pricerite continued to sharpen our business edges to provide the best value and quality lifestyle and basic home improvement solutions to customers.

Fast and Timely Response to Customer Needs

During the early SARS period, we envisaged the significance of on-line shopping and promoted our on-line shopping channel, www.pricerite.com.hk, to boost sales. As a result, our on-line sales increased by 6.9% in 2003. In response to increasing customer demand, we had strengthened our cleaning and sterilising products to capture the increasing health and hygiene awareness of our customers.

Enriching our Product Mix

We further extended our product mix to cater for customer needs as they emerged. We saw an increasing trend in product specialisation and hence we opened the IT Corner, and expanded the Small Office, Home Office (SOHO) Division in our flagship stores. We also started to provide professional and personalised customer service in choosing these products.

Management Discussion and Analysis

Strengthening our Brand with the Relationship of our Customers

To further associate our brand with our "customer-caring" motto, we continued to provide quality products to meet with customers needs. Furthermore, we joined with major merchants and credit card companies to provide promotional offers to our customers. Such merchants included the Bank of China, the Standard Chartered Bank, the Dao Heng Bank, Epson, MacDonald's, and Kentucky Fried Chicken. To instil more "lifestyle" element into our "value for money" products, we launched a new corporate identity in June 2003 to further strengthen our brand power.

Enhancing our Customer Service

With an aim to constantly improve our customer service, we launched the interactive voice recording system in April 2003. To better equip our staff and to enhance their morale, we continued to invest in the "Service with Hearts" training programme to improve the product knowledge and communications skills of our staff.

Improving Customers' Shopping Experience

We continued with the "room setting" visual merchandising strategy in our flagship stores. To further improve our store layout and product display, we had finalised our specifications and planning in the Planogram, which will allow visual planning of retail space utilisation and in turn maximise its efficiency. We also worked with Octopus Cards Limited to install the Octopus payment system in all of our stores to offer customers convenience and to improve our customers' shopping experience.

Refocusing and Re-Engineering of Pricerite

Over the course of the year, the Pricerite board of directors had undergone an in-depth re-examination of the business model of Pricerite to focus on the following key performance indicators to improve overall performance: (1) category sales performance; (2) optimal mix and match of merchandising; (3) asset conversion cycles; (4) profitability analysis; and (5) financial performance.

With a view to maximise shareholder value, the board of directors made the effort to redefine the business model of Pricerite so as to build on our strengths and to capture the emerging business opportunities.

Redefining our Strength

The Pricerite board of directors had engaged Ernst and Young to conduct a strategic diagnosis of our business model and to advise the board of directors on defining the strategic direction of future business growth. Mr Anthony Troughton, a veteran retail expert, had conducted

Management Discussion and Analysis

an in-depth examination with our management team to redefine our strengths. Such strengths had enabled Pricerite to build on its retail business model and extend to an international supply chain management (SCM) business model focusing on furniture and household products.

Strategic Refocus of the Pricerite Business Model

The Pricerite board of directors had also identified two critical factors pertinent to our strategic refocus: (1) the Hong Kong retail business and the international SCM business have significant complementary effects; and (2) the emergence of China as a major economic power and its strength in the manufacturing sector offer significant business opportunities in sourcing, merchandising, and the logistic setup of products.

Investment in IT

To support the strategy of migrating Pricerite into a global player in the furniture and household product markets, the board of directors had provided persistent support to re-engineer Pricerite.

In 2003 we had engaged in a major overhaul of the management information system. The first major component built and installed was the Pricerite warehouse management systems (WMS) that provided better performance control in the logistics of merchandising from the warehouse to the stores. The Pricerite WMS was a winner of the Intelligent 20, a regional information technology award that recognises outstanding business technological applications in the Asia Pacific region.

Building the Structure for Long-term Growth

To ensure the success of our strategic refocus, the Pricerite board of directors had made changes in the management organisation structure so as to further clarify management responsibilities and reinforce expertise in each of the functional areas. Pricerite operations are divided into five functional divisions: (1) brand equity management responsible for marketing, customer services and e-commerce; (2) supply chain management responsible for product sourcing, merchandising, quality assurance and vendor relations; (3) retail operations management responsible for retail network planning, store operations and staff training; (4) back office control responsible for the administrative functions, including accounting, human resources, information technology, loss prevention, and warehousing and logistics management; and (5) system operations management responsible for system design and enhancement (headed by the newly appointed chief operation officer, who is also responsible for spearheading the building of relevant management and control systems, and the continual examination of the Pricerite management systems to assure that the operation is consistent with the state of development of business).

Offering Tailored IT Solutions

Management Discussion and Analysis

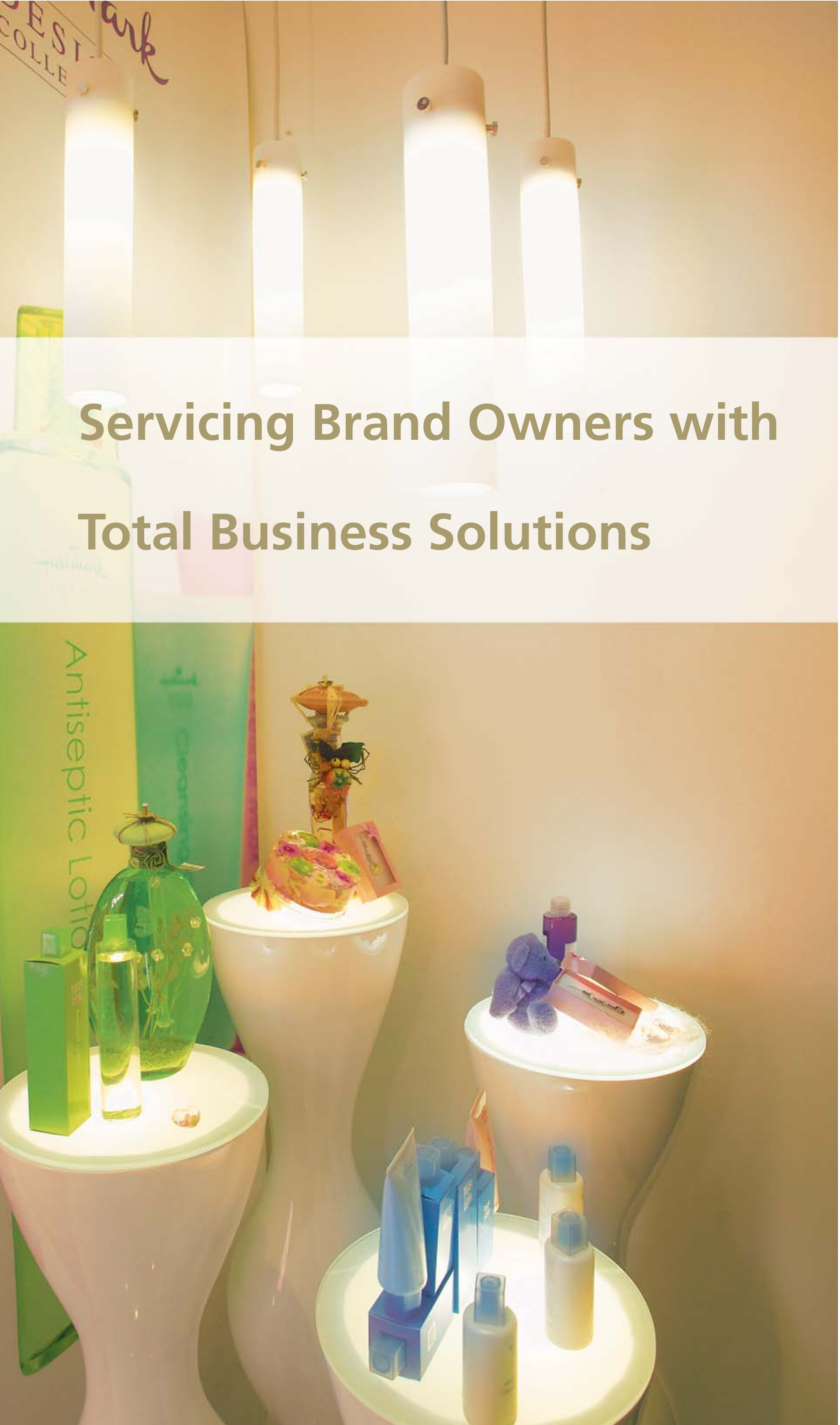
Business Solutions – Halo

Halo, our IT strategic investment, enjoyed significant progress and made several key strategic business expansion during the year. In addition to sustaining Halo's core IT solution business, Halo has made powerful expansion into the IT outsourcing and product distribution areas. Such development will enable Halo to be placed in a strong position for rebound as the IT market outlook improves.

Halo continued to expand its client base in IT solution service provision, and successfully launched an "application service provider" service for SCM in the retail industry. The IT outsourcing business also received a strong head-start by landing business from leading institutions in both commercial and government sectors.

In the first half of 2003, we further extended our business to the marketing and trading of IT products, including personal computers, computer accessories and peripherals, as well as digital electronics products. This included the successful launch of the "Halo PC" brand of personal computers. Leveraging on our strong industry presence, knowledge and experience, coupled with the strength of Pricerite's retail network, our IT products marketing business recorded steady and healthy growth.

Servicing Brand Owners with Total Business Solutions



Management Discussion and Analysis

Brand Management – Cosmos Global

Cosmos Global saw a successful year despite losing precious development time due to the SARS epidemic. Cosmos Global began the year as a single brand and single market brand management and distribution firm and transformed itself into a multiple product category Asia Pacific total business solution provider for North American and European brands.

To fulfil its regional role as a distributor of branded lifestyle products, Cosmos Global expanded its geographic coverage through self-developed distribution channels or partners from only Hong Kong to include Australia, Mainland China, Macau, Philippines, South Korea and Russia.

It has developed from a distributor and developer of cosmetics and toiletries products into a total business solution provider serving brand owners from North America and Europe covering also designer home products, home appliance, household utensils, fashion and fashion accessories, specialty food and beverage as well as character licensed products.

During the year, brands represented grew from only Hallmark Design Collection to Baronessa Cali, Elizabeth French, Katie's Friends, Lizzie, Spa, and Pure for the cosmetics and toiletries sector, Kate Storer for designer home products, Wilfa for Home appliances, Astonish for household utensils, Fleur de Santàm for fashion and fashion accessories, La Pavonni and Mocca Master for specialty food and beverage products and "Turn Left, Turn Right" for character licensed products.


Building for a Bright Future

Management Discussion and Analysis

THE FUTURE

For Financial Services – CFSG

Building for a Bright Future

In November 2003, with an overwhelming support from its shareholders, CFSG successfully raised over HK$62 million of capital via a two-time over-subscribed rights issue. This tremendously successful fund raising exercise reflects shareholders' confidence in the viability and growth potential of our Group. The enhanced capital strength has put our core brokerage business in a vantage position to benefit from a market upturn.

Having, through the efforts of the past years, contained operating costs at a desirable level and laid the foundation business structure for development, in the light of a benign economic environment, CFSG is now in a position to look at growth and development. Accordingly, we have planned for our business dynamics and begun to pursue development within our pillar businesses, namely, brokerage, financial planning and investment banking. Our goal is to achieve further business diversification and cross-selling effectiveness with an ultimate view to create a healthy revenue mix that is less susceptible to market cycles.

With a changing regulatory landscape, we believe that consolidation will take place within the currently over-crowded securities industry. Accordingly, we will proactively seek to identify merger and acquisition opportunities to complement our organic growth strategy.

We are continuing to look for opportunities to expand our business reach in the Greater China Region, focusing in particular on the regulatory development in respect of the vast Mainland China market and the opportunities that CEPA will offer as it expands in scope. Pending further opening up of the Mainland's finance and securities sector, however, we will continue to embrace our thus far successful strategy of forging partnerships with our Mainland counterparts, seeking to develop a strong base of Mainland Chinese clients in preparation for our eventual foray into the Mainland market. At the same time, we are keeping a close eye on investment and acquisition opportunities in the Mainland that could provide us with valuable client contacts and complement us with the local expertise to operate.

Management Discussion and Analysis

In respect of investment banking, we are already in close cooperation with our numerous Mainland partners in identifying candidates, in particular the mid-cap Mainland private enterprises, for fund raising in Hong Kong through IPO.

As we said at the beginning, 2003 had been indisputably a year of unprecedented challenges. CFSG is nonetheless pleased to report that it has overcome all those challenges and has emerged as a much better and stronger entity. We are now stronger in capital strength; we have diversified our product offerings and are now in a position to cater for the full spectrum of our clients' investment needs; we are on course to developing a healthy, stable and diversified revenue streams; we have laid foundation for a sound business structure; notwithstanding a devastating business environment in the first half, through achieving and maintaining a lean cost base, we have been able to quickly capitalise on the market rebound, made up for losses and return to profitability. As a result, we have now put ourselves in a strong position to look for growth and investing opportunities in the future.

While we are positive on CFSG's outlook and the profit trend going forward, we will remain staunch in upholding our principle of cost leadership. We will be steadfast in striking a healthy balance in our revenue mix to avoid over reliance on any single one source. Through value creation, we will be firm in our course to establish ourselves as the financial services house of choice for all clients.

Management Discussion and Analysis

For Home Improvement – Pricerite

Capitalising on Growth Opportunities

Continual Growth of the Mainland Economy

The Pricerite board of directors is in a view that the Mainland economy will continue to be strong with a high growth rate in the next three to five years. Given the strong Mainland economy, we envisage substantial business opportunities for Pricerite.

The Mainland property market is expected to remain strong despite consolidation in certain geographical areas. The increase in household income will create significant demand for furniture and household products with higher levels of quality and styling. With our long operating history in the Hong Kong market, Pricerite is in a good position to tap into the fast growing market for quality furniture and household products.

Also, the manufacturing base in the Mainland will gain further strength and more global buyers will shift their purchase to the Mainland. Leveraged on the strong sourcing and merchandising platform we have built, Pricerite is in a good position and will aggressively move to develop our merchandising services for international clients in furniture and household products.

Business Opportunities under CEPA

The Pricerite board of directors is in a view that CEPA will bring significant business opportunities which will begin to take shape in 2004. Catered for the increased number of Mainland visitors, Pricerite is in the process of adjusting our product mix, especially in the household sections, to provide for the demand for quality and stylish household products for visitors, including products from overseas markets such as Japan, Korea, and the South East Asia. In addition, Pricerite will increase the lines of IT products which are in high demand from Mainland visitors.

CEPA provides a favourable environment for Hong Kong companies to invest directly in the Mainland. Pricerite is actively seeking to capitalise on this advantage and speed up our investments in the Mainland market.


Management Discussion and Analysis

Pricerite China

The Pricerite board of directors expects to speed up our development for Pricerite China in 2004. Our first store in Guangzhou had recorded satisfactory results in 2003. Despite the SARS influence, the business had quickly picked up and returned to normal. Both sales and transaction count had experienced a remarkable growth in the second half of the year. Customer loyalty programs, including the Pricerite VIP card, had been launched. The feedback had been extremely positive as evidenced by the continuous increase of repeated purchases and average ticket value.

Besides our retail model, Pricerite China is actively negotiating with suitable business partners which have the local business network so as to shorten our time to market in the appropriate markets. Pricerite has the strategy to develop our operation in major cities such as Beijing and Shanghai. We also plan to expand our presence in Guangzhou given our improved understanding of customer taste and demand.

Growth of International Business

We began in earnest our international business development strategy this year. Our mission is to leverage on our unique strength in sourcing and SCM in the furniture and household products categories to scale up the sales of our products globally. Our Group is ideally located to leverage on China's growing low cost manufacturing base and our ability to mate this strength with our ability to develop products as well as work with international designers to produce world class products at competitive quality and prices.

We are currently reviewing and pursuing multiple distribution models in our international initiatives. These include buying agency service for European brand owners, FOB trading into European and north American territories, franchising as well as Build Operate and Transfer (BOT) models to develop Pricerite branded outlets abroad.

We kicked off 2004 with two programmes. The first, our collaboration with the ARTAR Group of Saudi Arabia to develop both a Pricerite branded retail network as well as wholesale business in the Middle East region. The first Pricerite Store is targeted for launch in Riyadh by the end of 2004. Our second initiative focused on the exploration and development of the European market. We exhibited a limited range of our product assortment at the Birmingham Spring Fair in February 2004 together with our sister companies Cosmos Global and Halo. Responses from potential buyers have been encouraging and we are in active pursuit to convert enquiries into FOB sales into the UK. We are also reviewing and refining the execution plan to enter the European market with a trade fair based FOB export model based on buyer feedbacks.

While we are not planning to build substantial international infrastructure in the near term, we are reviewing and considering market entry into Europe and North America by way of acquisitions.

Management Discussion and Analysis

For Business Solutions – Halo

Halo will continue to expand the customer base for our IT solution service and IT outsourcing business. Halo will distribute and support leading software solutions to target the growing business IT demands, especially in the areas of SCM, mobile applications, and workflow automation, to name a few.

Halo, with our sound foundation, is in the best position to capture opportunities arising from CEPA. We are planning to establish our presence in the Mainland China to provide IT consulting and business solution service to Mainland China, local and overseas enterprises. We will also seek to establish strategic partnership with key institutions and companies in Mainland China to support our operation and market exposure.

For the marketing of IT products, Halo will aim to consolidate on our early success to further develop our product ranges and retail channels. Through these activities, we target to establish Halo as a key intermediary service provider in hardware, software and services, for working with partners from both the Mainland and overseas.

For Brand Management – Cosmos Global

For a long time, we have been aware of the risk involved and the limitations from having a portfolio of business that derives income solely from Hong Kong. However, restructuring efforts for our businesses meant that we have been unable to commit resources into creating an international business base until now. We already made significant progress during 2003 in our plans to create global businesses.

We shall consolidate our product distribution infrastructure developed by Cosmos Global this year in the Asia Pacific region into a network that will serve as product distribution channels for Pricerite as well as Halo. We will continue to expand our geographic coverage preliminarily in 2004 via an active international trade fair programme to fast track development of our partner based network as well as our international client base. Our principal focus this year is to establish representation and operations in the European and North American markets.

We shall continue our brands portfolio expansion programme to increase the number and categories of brands under management for distribution as well as to service as a total business solution provider on the product sourcing side.

Financial Review

For the year ended 31 December 2003, our Group recorded a turnover of HK$1,028.3 million as compared to HK$1,097.0 million in the previous year. The decline in turnover reflected the harsh operating environment facing all our businesses. In particular, the austere economic conditions throughout the first half of the year were so severe that our financial services and retail businesses suffered a decline of 46.7% and 16.7%, respectively, in turnover. Our ability to weather the hard times lies in the fact that we continued to maintain cost consciousness and our effort to raise our operational efficiency. As the securities markets in the second half of the year were on their way to recovery, our financial services business moved forward from strength to strength. For the whole fiscal year, the Group's financial service division (CFSG) managed to contain the decline in turnover to 5.0% and ended the year with a profit of HK$10.7 million. The Group's retail business also benefited from the economic recovery and narrowed the gap resulting from the decline in the sales during the outbreak of SARS at the beginning of the year. In hindsight, the dramatic changes in business environments throughout 2003 had made the year unprecedentedly challenging. Despite the adverse economic and investment climate, we managed to contain our net loss for the year to HK$51.6 million from HK$440.6 million a year ago.

Our Group's total shareholders' equity stood at HK$340.9 million on 31 December 2003 as compared to HK$375.8 million at the end of the last year. The decrease in equity was attributable to the loss reported for the year. In May 2003, 60 million of new shares were issued to investors, raising total net proceeds of HK$16.4 million for general working capital.

On 31 December 2003, our cash and bank balances were HK$664.5 million as compared to HK$569.6 million on 31 December 2002. The improvement in cash balances was mainly due to an increase in the deposits by our securities clients whose confidence in the securities market had been improving since the beginning of the second half of the year. Our liquidity ratio on 31 December 2003 remained healthy at 1.2 times, virtually unchanged from 2002.

Our total bank borrowings on 31 December 2003 increased to HK$341.9 million from HK$205.5 million on 31 December 2002. The increase in bank borrowings were mainly due to the increase in margin financing to our clients as the investment activities had been fast growing in the last quarter of the year. During the year, our ratio of the total bank borrowings to shareholders' equity was 1.0 as compared to 0.55 on 31 December 2002. We maintained our gearing at a prudent level, given the fact that the majority of our bank borrowings were used in back-to-back margin financing for the clients of CFSG.

Financial Review

All of the Group's borrowings are either in HK dollar or US dollar, with the interest rates priced at close to banks' funding costs. By using effective instruments to hedge any adverse changes in interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. On 31 December 2003, our Group's listed investment securities were valued at HK$61.2 million and a loss on investment of HK$5.6 million was recorded for the whole year.

As at 31 December 2003, leasehold property at their carrying value of approximately HK$29.4 million, bank deposits of HK$20.8 million and listed investment securities valued at HK$108.7 million were pledged to secure a bank term loan and general banking facilities granted to our Group. Save as aforesaid, we had no other material contingent liabilities at the end of the year.

As of the end of the year, we did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

In July, our financial services business acquired CASH Frederick Taylor. In August, our financial services business acquired Chateron for a consideration of HK$7.0 million.

In December 2003, our Group entered into a conditional sale and purchase agreement to acquire the entire equity interest in Rainbow Day Investments Limited, a company which will hold a property situate in Beijing, China together with a mortgage of not more than RMB372 million (equivalent to HK$350.6 million) on the completion date stipulated in the agreement, at a consideration of approximately HK$233.7 million. The consideration shall be settled as to approximately HK$120.6 million by cash and as to HK$113.1 million by issue of the consideration shares by the Company. The acquisition is expected to complete in late April 2004. Other than the above acquisitions, our Group did not make any material acquisitions or disposals during the year. There was no significant investment held during the year.

Subsequent to the year end, our Group entered into a provisional sale and purchase agreement to acquire an investment property located in Hong Kong at a consideration of approximately HK$39.4 million. The transaction is expected to complete by the end of April 2004. Other than that, we do not have any future plans for material investments or capital assets.

Employee Information

At 31 December 2003, the Group had 1,460 employees, of which 171 were at CFSG Group and 1,226 at Pricerite Group. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund schemes, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK$154.5 million. We continue to organise training to employees in areas such as continuous professional training programmes required by regulatory bodies, product knowledge, customer services, selling techniques, problem solving, language training, time management, coaching, etc.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman & CEO, 44, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Board on 9 March 1998. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary member of the Board of Trustees of Nanjing University, PRC and an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC and an advisory professor of Nanjing University, PRC. Mr Kwan is also a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan is also the substantial shareholder of the Company and the chairman of CFSG and Pricerite.

Bernard Ping-wah LAW

CFO, 45, MBA, FCCA, FHKSA, MHKSI

Mr Bernard Law joined the Board on 9 March 1998. He is in charge of the Group's financial and accounting management. Mr Law has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CFSG and Pricerite. Mr Law does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Kenneth Kin-yick WONG

Deputy CEO, 46, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000 and was appointed to the Board on 3 November 2003. He is in charge of the Group's business development in the Greater China region. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking. Mr Wong is also the CEO of CFSG. Mr Wong does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Felix Wen-hao MIAO

Deputy CEO, 42, BSc

Mr Felix Miao joined the Group on 10 January 2000 and was appointed to the Board on 3 November 2003. He is in charge of the Group's business development in the international arena. Mr Miao has extensive experience in marketing, investor and financial relations in the financial market. Before joining the Group, he was the managing director of the Hong Kong operation of the largest international public relations company as well as a financial relations and privatisation marketing consultancy firm. He also held senior executive positions in various communications related companies. Mr Miao is also an executive director of CFSG. Mr Miao does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Directors' Profile

Bob Yau-ching CHAN

Executive Director, 41, PhD, MBA, BBA, CFA, MHKSI

Dr Bob Chan joined the Group on 1 September 2000 and was appointed to the Board on 1 August 2002. He is in charge of the Group's corporate strategies. Dr Chan has extensive experience in corporate development and financial management of high-growth companies. Before joining the Group, he was a finance professor and an active researcher and consultant. He served as a consultant for the United Nations, Asian Development Bank, Pacific Economic Cooperation Committee and numerous local and international financial institutions. Dr Chan is also the managing director of Pricerite. Dr Chan does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Joan Elmond Oi-kuen KWOK

Executive Director, 35, MBA, BA, FCIS

Ms Joan Kwok joined the Group on 20 March 1998 and was appointed to the Board on 3 October 2000. She is in charge of the Group's corporate governance. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group, she served as the company secretary of several Hong Kong listed companies and held senior executive positions in the fields of corporate development and general management. Ms Kwok is also the Company Secretary of the Company and an executive director and the company secretary of CFSG as well as the company secretary of Pricerite. Ms Kwok does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Eugene Ka-kin LAW

Executive Director, 43, BA, MHKSI

Mr Eugene Law joined the Group on 17 December 1998 and was appointed to the Board on 12 June 2000. He is the chief operation officer of the Group. Mr Law has extensive experience in stockbroking, financial research, investment advisory, strategic planning and business management. Before joining the Group, he held senior management positions in a number of regional stockbroking firms. Mr Law is also the deputy chairman of CFSG. Mr Law does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Thomas Yuen-cheuk LI

Executive Director, 42, MBA, BBA, MHKSI

Mr Thomas Li joined the Board on 6 May 1998. He is the president of the Group's business development in China. Mr Li has extensive experience in marketing and general management. Before joining the Group, he held senior executive positions of several leading international banks in Hong Kong and was responsible for business and marketing development, and corporate management. Mr Li is also an executive director of Pricerite. Mr Li does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hak-sin CHAN

Independent Non-executive Director, 42, PhD, MBA, BBA

Dr Chan joined the Independent Board on 25 October 2000. Dr Chan has extensive experience in the academia in the USA as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. Dr Chan is also a member of the Audit Committee of the Company. Dr Chan does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Johnny Ka-kui LEUNG

Independent Non-executive Director, 46, LL.B

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive experience in the legal field and is the managing partner of a legal firm in Hong Kong. Mr Leung is also a member of the Audit Committee of the Company. Mr Leung does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Chuk-yan WONG

Independent Non-executive Director, 42, MSc(BA), BBA, CFA, CGA

Mr Wong joined the Independent Board on 3 June 1998. Mr Wong has extensive investment management experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region. Mr Wong is also a member of the Audit Committee of the Company. Mr Wong does not have any relationship with any Director, senior management, substantial shareholder or controlling shareholder of the Company.

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage and trading of securities, futures, commodities and options, margin financing, corporate finance and other financial services, (b) retailing of furniture and household items provided via Pricerite, (c) investment holding including property investment, (d) business solutions, and (e) brand management.

RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 46 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2003 is set out on pages 111 to 112 of this Annual Report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Company and the Group are set out in note 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

Directors' Report

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

As at 31 December 2003, the reserves of the Company available for distribution to shareholders were approximately HK$25,921,000, comprising contributed surplus of HK$77,517,000 less accumulated losses of HK$51,596,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$276,904,000.

PRE-EMPTIVE RIGHTS

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

RAISING OF FUNDS

On 22 May 2003, the Company announced for an execution of a top-up subscription agreement pursuant to which Cash Guardian Limited ("Cash Guardian") sold, by way of private placement a total of 60 million shares of HK$0.10 each in the Company to more than six independent investors at HK$0.275 per share on 27 May 2003 and the Company in turn allotted and issued 60 million shares of HK$0.10 each in the Company to Cash Guardian at HK$0.275 per share (as compared with market price of HK$0.305 per share on 22 May 2003) on 4 June 2003. The proceeds of the placing, after expenses, totalled approximately HK$16.4 million.

USE OF PROCEEDS FROM FUND RAISING

The funds raised during the year were mainly used for the general working capital of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

The percentages of purchases for the year attributable to the Group's largest suppliers are as follows:

Purchases

– the largest supplier	10.2%
– five largest suppliers	34.3%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors) owns more than 5% of the Company's share capital had an interest in the major suppliers above.

Directors' Report

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee	
Law Ping Wah Bernard	
Wong Kin Yick Kenneth	(appointed on 3 November 2003)
Miao Wen Hao Felix	(appointed on 3 November 2003)
Chan Yau Ching Bob	
Kwok Oi Kuen Joan Elmond	
Law Ka Kin Eugene	
Li Yuen Cheuk Thomas	

Independent Non-executive Directors:

Chan Hak Sin
Leung Ka Kui Johnny
Wong Chuk Yan

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Wong Kin Yick Kenneth and Mr Miao Wen Hao Felix shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws and as agreed among the Directors, Ms Kwok Oi Kuen Joan Elmond and Mr Li Yuen Cheuk Thomas shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' Report

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 33 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A. The Company

1. *Long positions in the shares*

		Number of shares			
Name	**Capacity**	**Personal**	**Family**	**Other interest**	**Shareholding (%)**
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	–	156,952,376*	42.94
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	–	1.39
Chan Yau Ching Bob	Beneficial owner and family interest	70,500	200,200	–	0.07
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	–	0.74
Law Ka Kin Eugene	Beneficial owner	125,000	–	–	0.03
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	–	0.68
		10,493,575	200,200	156,952,376*	45.85

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

Directors' Report

2. Long positions in the underlying shares – options under share option schemes

					Number of options				
Name	Date of grant	Exercise period	Exercise price per share (HK$)	notes	outstanding as at 1 January 2003	granted during the year (notes 2 & 5)	lapsed during the year (note 3)	outstanding as at 31 December 2003	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	2/5/2002	2/5/2002 – 30/4/2003	1.320	(7)	3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	(7)	–	3,000,000	–	3,000,000	0.82
Law Ping Wah Bernard	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	(6)	–	1,000,000	–	1,000,000	0.27
Miao Wen Hao Felix	10/1/2000	10/1/2001 – 9/1/2003	16.00	(6)	500,000	–	(500,000)	–	–
	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)&(6)	500,000	–	(500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	(6)	–	1,000,000	–	1,000,000	0.27
Chan Yau Ching Bob	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	250,000	–	(250,000)	–	–
	31/8/2001	1/3/2002 – 28/2/2004	2.600	(1)	1,500,000	–	–	1,500,000	0.41
	2/5/2002	2/5/2002 – 30/4/2003	1.320		1,500,000	–	(1,500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Kwok Oi Kuen Joan Elmond	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	750,000	–	(750,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	3,000,000	–	3,000,000	0.82
Law Ka Kin Eugene	6/11/2000	16/5/2001 – 15/5/2003	5.400	(1)	500,000	–	(500,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	1,000,000	–	1,000,000	0.27
Li Yuen Cheuk Thomas	2/5/2002	2/5/2002 – 30/4/2003	1.320		3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		–	1,000,000	–	1,000,000	0.27
Chan Hak Sin	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
Leung Ka Kui Johnny	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
Wong Chuk Yan	2/5/2002	1/11/2002 – 31/10/2003	1.320	(1)	200,000	–	(200,000)	–	–
					21,100,000	16,000,000	(19,600,000)	17,500,000	4.77

notes:

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

(2) The closing price of the share immediately before the date of grant of options was HK$0.51.

(3) The lapsed options were due to expiry.

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

(5) The fair value of the options granted by the Company to the Directors during the year totaled approximately HK$308,800. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Schemes" below.

(6) Mr Miao Wen Hao Felix and Mr Wong Kin Yick Kenneth were appointed as Directors of the Company during the year.

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

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

Directors' Report

B. Associated corporations (within the meaning of SFO)

1. CFSG

(a) Long positions in the shares

Name	Capacity	Number of shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	217,977,717*	57.78
Wong Kin Yick Kenneth	Beneficial owner	620,000	–	0.16
		620,000	217,977,717*	57.94

* The shares were held as to 24,564,000 shares by Cash Guardian and as to 193,413,717 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian and in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

Directors' Report

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

Name	Date of grant	Exercise period	Exercise price per share (note 1) (HK$)	notes	Number of options: outstanding as at 1 January 2003	adjusted on 4 November 2003 (note 1)	granted during the year (notes 3, 4 & 6)	outstanding as at 31 December 2003	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.60	(8)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(8)	–	–	2,450,000	2,450,000	0.65
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)&(7)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60	(7)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(7)	–	–	2,450,000	2,450,000	0.65
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)&(7)	750,000	780,000	–	1,530,000	0.41
	3/11/2003	3/11/2003 – 31/10/2004	0.60	(7)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(7)	–	–	2,450,000	2,450,000	0.65
Chan Yau Ching Bob	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Law Ka Kin Eugene	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,250,000	1,300,000	–	2,550,000	0.68
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
					4,000,000	4,160,000	28,350,000	36,510,000	9.68

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.

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

(3) The closing price of the share immediately before the date of grant of options on 3 November 2003 was HK$0.55.

(4) The closing price of the share immediately before the date of grant of options on 2 December 2003 was HK$0.45.

(5) No option was lapsed, exercised or cancelled during the year.

(6) The fair value of the options granted by CFSG to the Directors on 3 November 2003 and 2 December 2003 totaled approximately HK$390,040. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

   (i) an expected volatility of 17% and 20% respectively;

Directors' Report

(ii) no annual dividends; and

(iii) the estimated expected life of the options granted during the year is 2 and 1 year(s) respectively. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

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

(7) Mr Miao Wen Hao Felix and Mr Wong Kin Yick Kenneth were appointed as Directors of the Company during the year.

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

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

(c) Long positions in the underlying shares – convertible note

Name	Date of convertible note	Exercise period	Conversion price per share (HK$)	Number of underlying shares as at 31 December 2003	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	28/9/2001	28/9/2001 – 31/12/2006	1.47	85,102,040	22.56

note: The convertible note in the outstanding amount of HK$125,100,000 was held by a subsidiary of CIGL, a wholly-owned subsidiary of the Company. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

Directors' Report

2. *Pricerite*

(a) Long positions in the shares

Name	Capacity	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	70,971,614*	68.35

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

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

Name	Date of grant	Exercise period	Exercise price per share (note 1) (HK$)	notes	Number of options: outstanding as at 1 January 2003	Number of options: adjusted on 6 May 2003 (note 1)	Number of options: lapsed during the year (notes 3)	Number of options: granted during the year (notes 2 & 5)	Number of options: outstanding as at 31 December 2003	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.20	(8)	20,000,000	(19,000,000)	–	–	1,000,000	0.96
	2/12/2003	2/12/2003 – 30/11/2004	1.79	(8)	–	–	–	1,000,000	1,000,000	0.96
Law Ping Wah Bernard	12/6/2001	16/6/2001 – 15/6/2003	4.20		7,200,000	(6,840,000)	(360,000)	–	–	–
	17/1/2002	1/2/2002 – 31/1/2004	4.20		13,000,000	(12,350,000)	–	–	650,000	0.63
	2/12/2003	2/12/2003 – 30/11/2004	1.79		–	–	–	1,000,000	1,000,000	0.96
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	1.79	(7)	–	–	–	500,000	500,000	0.48
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2004	1.79		–	–	–	1,000,000	1,000,000	0.96
Kwok Oi Kuen Joan Elmond	17/1/2002	1/2/2002 – 31/1/2004	4.20	(6)	20,000,000	(19,000,000)	(1,000,000)	–	–	–
Li Yuen Cheuk Thomas	12/6/2001	16/6/2001 – 15/6/2003	4.20		14,400,000	(13,680,000)	(720,000)	–	–	–
	17/1/2002	1/2/2002 – 31/1/2004	4.20		6,000,000	(5,700,000)	–	–	300,000	0.29
	2/12/2003	1/12/2004 – 30/11/2005	1.79		–	–	–	500,000	500,000	0.48
					80,600,000	(76,570,000)	(2,080,000)	4,000,000	5,950,000	5.72

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.

(2) The closing price of the share immediately before the date of grant of options was HK$1.80.

(3) The lapsed options were due to expiry or cessation of directorship with Pricerite.

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

Directors' Report

(5) The fair value of the options granted by Pricerite to the Directors during the year totaled approximately HK$140,900. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(i) an expected volatility of 41%;

(ii) no annual dividends; and

(iii) the estimated expected life of the options granted during the year is 1 year. The corresponding 1 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessary provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

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

(6) Ms Kwok Oi Kuen Joan Elmond resigned as a director of Pricerite during the year.

(7) Mr Miao Wen Hao Felix was appointed as a Director of the Company during the year.

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

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

Save as disclosed above, as at the 31 December 2003, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

The Company

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes during the year are set out in note 32(A) to the financial statements.

Directors' Report

As disclosed in note 32(A) to the financial statements, the Company had granted a total number of 16,000,000 options during the year. The fair value of the said options totaled approximately HK$308,800. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(i) an expected volatility of 25%;

(ii) no annual dividends; and

(iii) the estimated expected life of the options granted during the year is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, which can materially affect the fair value estimate. Thus, in the Directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

For the purpose of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited due to lack of historical data.

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

The subsidiaries

CFSG and Pricerite had also adopted their respective share option schemes. Particulars of the share option schemes of CFSG and Pricerite and details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG and Pricerite granted under the share option schemes during the year are set out in notes 32(B) and 32(C) respectively to the financial statements.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (note)	Trustee of a discretionary trust	156,952,376	42.94
Cash Guardian (note)	Interest in a controlled corporation	156,952,376	42.94

note: This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc ("Jeffnet")). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan and Jeffnet were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, at 31 December 2003, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the accounting period covered by this Annual Report save for the Independent Non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

Directors' Report

AUDIT COMMITTEE

The Audit Committee of the Company was established on 28 June 1999 and was comprising Dr Chan Hak Sin and Mr Leung Ka Kui Johnny, both being Independent Non-executive Directors, as at 31 December 2003. Mr Wong Chuk Yan was also appointed as a member of the Audit Committee on 30 March 2004.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the Audit Committee had held two meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

AUDITORS

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

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 1 April 2004

Auditors' Report

TO THE SHAREHOLDERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 46 to 110 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 1 April 2004

Consolidated Income Statement

For the year ended 31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
Turnover	4	**1,028,271**	1,097,028
Other operating income		**22,634**	–
Reversal of impairment loss previously recognised in respect of property and equipment		**900**	–
Cost of sales		**(541,246)**	(572,018)
Salaries, allowances and commission	6	**(204,697)**	(236,810)
Other operating, administrative and selling expenses		**(316,525)**	(380,168)
Depreciation and amortisation		**(55,946)**	(61,834)
Finance costs	7	**(7,593)**	(5,162)
Allowance for bad and doubtful debts		**(1,073)**	(95,687)
Impairment loss recognised in respect of goodwill held in reserves	27(b)	**(300)**	–
Impairment loss recognised in respect of club memberships		**–**	(1,330)
Impairment loss recognised in respect of goodwill		**–**	(27,209)
Impairment loss recognised in respect of investments		**–**	(57,000)
Impairment loss recognised in respect of property and equipment		**–**	(64,153)
		(75,575)	(404,343)
Gain on expiry of warrants		**–**	59,573
Write back of (Allowance for) loan to an associate		**24,600**	(219,828)
Loss before taxation	10	**(50,975)**	(564,598)
Taxation (charge) credit	11	**(134)**	1,779
Loss before minority interests		**(51,109)**	(562,819)
Minority interests		**(520)**	122,236
Net loss attributable to shareholders		**(51,629)**	(440,583)
Loss per share	12		
– Basic		**HK$(0.15)**	HK$(1.41)
– Diluted		**HK$(0.15)**	HK$(1.41)

Consolidated Balance Sheet

At 31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
Non-current assets			
Property and equipment	13	**134,072**	190,301
Investments	15	**15,500**	–
Goodwill	16	**70,808**	55,260
Intangible assets	17	**10,922**	12,752
Other assets	18	**21,504**	31,191
Loans receivable	19	**–**	2,217
		252,806	291,721
Current assets			
Inventories	20	**61,295**	65,391
Accounts receivable	21	**497,728**	172,591
Loans receivable	19	**700**	1,200
Prepayments, deposits and other receivables		**79,041**	77,271
Investments	15	**61,200**	52,534
Taxation recoverable		**6**	6
Bank deposits under conditions	22	**36,565**	26,890
Bank balances – trust and segregated accounts		**382,056**	285,020
Bank balances (general accounts) and cash		**245,924**	257,651
		1,364,515	938,554
Current liabilities			
Accounts payable	23	**739,479**	490,026
Accrued liabilities and other payables		**72,647**	84,515
Taxation payable		**513**	279
Obligations under finance leases – amount due within one year	24	**504**	681
Bank borrowings – amount due within one year	25	**322,442**	205,542
		1,135,585	781,043
Net current assets		**228,930**	157,511
		481,736	449,232

Consolidated Balance Sheet

At 31 December 2003

	Notes	**2003 HK$'000**	2002 HK$'000
Capital and reserves			
Share capital	26	**36,548**	30,548
Reserves	27	**304,352**	345,257
		340,900	375,805
Minority interests		**121,210**	72,674
Non-current liabilities			
Bank borrowings – amount due after one year	25	**19,500**	–
Obligations under finance leases – amount due after one year	24	**126**	753
		19,626	753
		481,736	449,232

The financial statements on pages 46 to 110 were approved and authorised for issue by the board of Directors on 1 April 2004 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Balance Sheet

At 31 December 2003

	Notes	2003 HK$'000	2002 HK$'000
Non-current assets			
Property and equipment	13	**1,320**	2,619
Investments in subsidiaries	14	**–**	–
		1,320	2,619
Current assets			
Prepayments, deposits and other receivables		**1,928**	2,214
Amounts due from subsidiaries		**336,456**	370,316
Bank balances and cash		**9**	66
		338,393	372,596
Current liabilities			
Accrued liabilities and other payables		**340**	340
Net current assets		**338,053**	372,256
		339,373	374,875
Capital and reserves			
Share capital	26	**36,548**	30,548
Reserves	27	**302,825**	344,327
		339,373	374,875

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Total Equity HK$'000
At 1 January 2002	**902,571**
Issue of shares due to exercise of warrants	**109**
Repurchase of shares	**(26,719)**
Gain on expiry of warrants recognised in the income statement	**(59,573)**
Net loss for the year	**(440,583)**
At 31 December 2002 and 1 January 2003	**375,805**
Impairment loss recognised in the income statement in respect of goodwill held in reserves	**300**
Issue of new shares	**16,500**
Share issue expenses	**(76)**
Net loss for the year	**(51,629)**
At 31 December 2003	**340,900**

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Operating activities			
Loss before taxation		**(50,975)**	(564,598)
Adjustments for:			
Advertising and telecommunication services expenses	29(a)	**13,269**	5,746
Allowance for bad and doubtful debts		**1,073**	95,687
Allowance for inventory obsolescence and write-off of inventories		**7,195**	4,990
Allowance for loan to an associate		**–**	219,828
Amortisation of intangible assets		**1,830**	1,830
Amortisation of goodwill		**4,351**	6,135
Depreciation and amortisation of property and equipment		**49,765**	53,869
Gain on partial disposal of interest in CASH Financial Services Group Limited ("CFSG")		**(6,321)**	–
Gain on expiry of warrants		**–**	(59,573)
Impairment loss recognised in respect of goodwill held in reserves		**300**	–
Impairment loss recognised in respect of club memberships		**–**	1,330
Impairment loss recognised in respect of goodwill		**–**	27,209
Impairment loss recognised in respect of investments		**–**	57,000
Impairment loss recognised in respect of property and equipment		**–**	64,153
Reversal of impairment loss previously recognised in respect of property and equipment		**(900)**	–
Interest expenses		**7,593**	5,162
Loss on disposal of property and equipment		**1,941**	6,081
Operating cash from (outflows) before movements in working capital		**29,121**	(75,151)
Increase in inventories		**(3,099)**	(16,398)
(Increase) decrease in accounts receivable		**(324,054)**	72,514
Decrease in loans receivable		**1,644**	13,779
(Increase) decrease in prepayments, deposits and other receivables		**(5,808)**	24,208
Increase in investments		**(8,666)**	(19,032)
(Increase) decrease in bank balances – trust and segregated accounts		**(97,036)**	77,614
Increase (decrease) in accounts payable		**249,453**	(58,020)
Decrease in accrued liabilities and other payables		**(16,858)**	(21,707)
Cash used in operations		**(175,303)**	(2,193)
Hong Kong Profits Tax refunded		**–**	166
Hong Kong Profits Tax paid		**–**	(12)
Interest paid		**(7,550)**	(5,162)
Net cash used in operating activities		**(182,853)**	(7,201)

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Note	2003 HK$'000	2002 HK$'000
Investing activities			
Decrease in club memberships		329	–
Proceeds from partial disposal of interest in CFSG		12,335	–
Proceeds from disposal of property and equipment		15,825	22,333
Statutory and other deposits refunded		363	4,100
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	28	(2,706)	(40,600)
Loan to an associate		–	(55,362)
Purchase of property and equipment		(9,918)	(58,593)
Purchase of investments		(15,500)	–
Net cash from (used in) investing activities		728	(128,122)
Financing activities			
Increase in trust receipt loans		8,444	34,197
(Increase) decrease in bank deposits under conditions		(9,675)	16,855
Increase (decrease) in bank loans		136,600	(51,100)
(Decrease) increase in bank overdrafts		(8,644)	66,856
Repayments of obligations under finance leases		(804)	(2,544)
Proceeds on issue of shares		16,500	109
Share issue expenses		(76)	–
Contribution from minority shareholders		30,642	–
Repurchase of shares		–	(26,719)
Share issue expenses paid by CFSG		(2,546)	–
Interest paid on obligations under finance leases		(43)	–
Net cash from financing		170,398	37,654
Net decrease in cash and cash equivalents		(11,727)	(97,669)
Cash and cash equivalents at beginning of year		257,651	355,320
Cash and cash equivalents at end of year		245,924	257,651
Being:			
Bank balances and cash		245,924	257,651

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	–	–	–

Notes to the Financial Statements

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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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	2002
	Number of Directors	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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For the year ended 31 December 2003

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	2002
	HK$'000	HK$'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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For the year ended 31 December 2003

10. LOSS BEFORE TAXATION

	THE GROUP	
	2003	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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

For the year ended 31 December 2003

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.

Notes to the Financial Statements

For the year ended 31 December 2003

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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For the year ended 31 December 2003

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

Notes to the Financial Statements

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

Notes to the Financial Statements

For the year ended 31 December 2003

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK$'000	HK$'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

Notes to the Financial Statements

For the year ended 31 December 2003

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

Notes to the Financial Statements

For the year ended 31 December 2003

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.

Notes to the Financial Statements

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.

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15. INVESTMENTS

	THE GROUP					
	Investment securities		**Other investments**		**Total**	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'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

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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

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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

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For the year ended 31 December 2003

19. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2003	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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.

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21. ACCOUNTS RECEIVABLE

	THE GROUP	
	2003	2002
	HK$'000	HK$'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.

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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

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22. BANK DEPOSITS UNDER CONDITIONS

	THE GROUP	
	2003	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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 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	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'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

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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.

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)

(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:

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	granted in 2002	lapsed in 2002 (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

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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:

					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	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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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	2002
	HK$'000	HK$'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

Notes to the Financial Statements

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.

Five Year Financial Summary

The summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below:

RESULTS

	Year ended 31 December				
	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000 (restated)	1999 HK$'000
Turnover					
Continuing operations	**1,028,271**	1,097,028	973,560	472,836	245,321
Discontinued operations	**–**	–	–	1,131	–
	1,028,271	1,097,028	973,560	473,967	245,321
(Loss) Profit before taxation					
Continuing operations	**(50,975)**	(564,598)	(437,717)	(169,430)	89,670
Discontinued operations	**–**	–	(43,659)	(208,014)	–
	(50,975)	(564,598)	(481,376)	(377,444)	89,670
Taxation (charge) credit	**(134)**	1,779	152	1,428	1,711
(Loss) Profit after taxation	**(51,109)**	(562,819)	(481,224)	(376,016)	91,381
Minority interests	**(520)**	122,236	27,188	39,665	1,567
Net (loss) profit attributable to shareholders	**(51,629)**	(440,583)	(454,036)	(336,351)	92,948

Five Year Financial Summary

ASSETS AND LIABILITIES

	As at 31 December				
	2003	2002	2001	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**134,072**	190,301	236,453	119,613	58,249
Investments	**15,500**	–	57,000	175,900	–
Investments in associates	**–**	–	164,466	61,155	–
Goodwill	**70,808**	55,260	88,604	–	–
Intangible assets	**10,922**	12,752	14,582	16,412	–
Other non-current assets	**21,504**	33,408	96,713	165,709	51,419
Current assets	**1,364,515**	938,554	1,254,318	1,379,629	1,673,418
Total assets	**1,617,321**	1,230,275	1,912,136	1,918,418	1,783,086
Current liabilities	**1,135,585**	781,043	813,906	603,609	559,535
Long term borrowings	**19,626**	753	749	1,627	2,570
Deferred taxation	**–**	–	–	–	1,280
Minority interests	**121,210**	72,674	194,910	119,942	54,375
Total liabilities and minority interests	**1,276,421**	854,470	1,009,565	725,178	617,760
Net assets	**340,900**	375,805	902,571	1,193,240	1,165,326

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Celestial Asia Securities Holdings Limited ("Company") will be held at Salon 6, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 17 May 2004, Monday, at 10:00 am for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2003.

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

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

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

   A. **THAT**

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

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

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

Notice of Annual General Meeting

(d) for the purposes of this resolution:

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

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

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

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

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

B. **THAT**

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

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

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(c) for the purposes of this resolution:

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

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

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

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

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

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

THAT conditional on the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in the Company to be issued pursuant to the exercise of any options ("Options") to be granted under the existing share option scheme of the Company adopted on 19 February 2002 and any other share option scheme(s) of the Company, the Directors be and are hereby authorised, at their absolute discretion, to grant Options to the extent that the shares in the Company issuable upon the full exercise of all Options shall not be more than 10% of the issued share capital of the Company as at the date of this resolution.

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

THAT conditional on (a) the Listing Committee of the Growth Enterprise Market of the Stock Exchange granting the listing of and permission to deal in the shares in CASH Financial Services Group Limited ("CFSG") to be issued pursuant to the exercise of any options ("CFSG Options") to be granted under the existing share option scheme of CFSG adopted on 19 February 2002 and any other share option scheme(s) of CFSG, and (b) the directors of CFSG be authorised by the CFSG shareholders in general meeting, at their absolute discretion, to grant CFSG Options to the extent that the shares in CFSG issuable upon the full exercise of all CFSG Options shall not be more than 10% of the issued share capital of CFSG as at the date of its resolution ("CFSG Scheme Mandate Limit"), the CFSG Scheme Mandate Limit be and is hereby approved.

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

   THAT conditional on (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the shares in Pricerite Group Limited ("Pricerite") to be issued pursuant to the exercise of any options ("Pricerite Options") to be granted under the existing share option scheme of Pricerite adopted on 19 February 2002 and any other share option scheme (s) of Pricerite, and (b) the directors of Pricerite be authorised by the Pricerite shareholders in general meeting, at their absolute discretion, to grant Pricerite Options to the extent that the shares in Pricerite issuable upon the full exercise of all Pricerite Options shall not be more than 10% of the issued share capital of Pricerite as at the date of its resolution ("Pricerite Scheme Mandate Limit"), the Pricerite Scheme Mandate Limit be and is hereby approved.

By order of the Board
Joan Elmond O K Kwok
Company Secretary

Hong Kong, 15 April 2004

notes:

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

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

3. The biographical details of Mr Wong Kin Yick Kenneth, Mr Miao Wen Hao Felix, Ms Kwok Oi Kuen Joan Elmond and Mr Li Yuen Cheuk Thomas, being Directors proposed to be re-elected, are provided in the section headed "Directors' Profile" in this Annual Report.

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