Celestial Asia Securities Holdings Limited

Annual Report 2004

CASH 時富

Contents

Corporate Profile

Corporate Profile

CASH Group is a multi-faceted service conglomerate that addresses modern consumer needs in investment and wealth management, home improvement, 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 (CFSG) is a leading financial services conglomerate that has been servicing clients in Hong Kong for more than thirty years. Through a well-developed securities and commodities brokerage infrastructure, complemented by a fast-growing wealth management business arm, we offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs, short-term and long, of our clients in Hong Kong and the Greater China region. Our fully-fledged investment banking group services regional corporations on a broad range of corporate finance and financial advisory matters.

All CASH companies
(as at 31 December 2004)

HOME IMPROVEMENT

Pricerite Group (Pricerite) is a leading Hong Kong based retailer of furniture and household products. We enhance the home environment of our customers by providing good quality, competitively priced home improvement products through our comprehensive network and our website *www.pricerite.com.hk*.

Pricerite also owns Cosmos Global, a brand management company that serves as a total solution business partner for brand owners to tap the Asia Pacific markets. Another new member of Pricerite is 3C Digital, which specialises in providing quality consumer electronics and digital products to our trendy customers.

Corporate Information

BOARD OF DIRECTORS

Executive:

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

Independent Non-executive:

CHAN Hak Sin
LEUNG Ka Kui Johnny
WONG Chuk Yan

PRINCIPAL BANKERS

Standard Chartered Bank
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Wing Hang Bank, Limited
DBS Bank (Hong Kong) 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 Suzanne, *ACIS*

QUALIFIED ACCOUNTANT

CHENG Man Pan Ben, *CPA*

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*

Chairman's Letter

Dear fellow shareholders,

2004 was a challenging year for the CASH Group. Despite a general pick-up in the economy and a buoyant investment market, as underpinned by the rebounding property market and the record-breaking inbound tourist arrivals, the bulk of local Hong Kong consumers remained cautious in spending. Surging operating costs and squeezing margins were phenomenal to business operators. Our financial services and furniture and household products retail businesses were no exception. Thanks to our relentless efforts in pursuing proactive but prudent strategies, all our business units remained financially sound and promising despite the severe operating environment.

Bankee P KWAN
Chairman

Chairman's Letter

During the year, we reviewed the rapid changing market landscape and concluded that despite the economic revival, there remains potential vulnerability for the market as a whole. As revealed by the 2004 total retail sales figures, only tourism-related retail categories and high-value consumer durables were benefited from the robust economic growth. Despite rising asset prices, the mass of the Hong Kong people did not get much improvement in their net disposable income, which constrained their savings and hence spending. Wealth and consumption polarisation further intensified. In spite of a stabilised Composite Consumer Price Index (CCPI) during the second half of 2004, the prices for durable goods kept on its decrease trend for seven consecutive years.

As a result, we devised strategies in response to both current and upcoming market changes. We proactively diversified our product and income sources during the year. For our financial services business, diversification into the wealth management business was in full steam ahead. In anticipation of the booming capital market in 2005, we strengthened our investment banking division to well prepare for our clients' fund raising and financial advisory needs. For Pricerite, in response to the incessant influx of tourists into Hong Kong and the continuous demand in trendy digital products, we opened a digital retail chain to cater for both local and tourist customers. We will continue to pursue this diversification strategy as it proved to be effective.

During the year, we re-aligned our resources to focus on our well-established businesses in financial services and furniture and household products retailing. Further explorations and developments in our system integration and consultancy services were halted. Our brand management, sourcing and distribution arm, Cosmos Global, was grouped under the Pricerite family after gaining valuable international experience in providing total solution to brand owners in Asia Pacific region. More importantly, synergies were derived from cross-selling clients to our comprehensive range of financial services and retailing products.

Despite the challenges ahead, we are confident that the CASH Group is well positioned to seize new growth opportunities on the path of Hong Kong's economic recovery as we continue to develop our core businesses and build on our healthy financial position.

The Group was astounded by the earthquake and tsunami disaster in South Asia on the Boxing Day of 2004. As part of the international community, the Group felt for the victims and their families. We held a bazaar to solicit support from the Hong Kong community, so as to donate funds to relieve and reconstruct the afflicted area.

Last but not least, on behalf of the board of Directors, I would like to express our sincere appreciation to our management team for their diligent guidance and support, and to all staff members for their dedication and hard work during the year.

Yours sincerely,

Bankee Kwan

Bankee P Kwan
Chairman

Financial Review

For the year ended 31 December 2004, our Group recorded a turnover of HK$1,124.4 million as compared to HK$1,033.8 million in the previous year. The increase in turnover reflected the market recovery in domestic financial sector and retail sectors. In 2004, continuous resumption in confidence of both domestic investors and consumers drove our turnover in financial services and retailing business to reach HK$240.0 million and HK$873.4 million respectively. Accompanied with record-high trading volume in domestic securities market, there seen an amazing growth in both turnover and the net profit in the Group's financial service division (CFSG) by 25.6% and 100.6% respectively. The Group's retail business also benefited from the economic recovery and reversed the slide in turnover since 2002. The sales of our retail business in 2004 rose slightly by 4.5% amid the steady recovery in property market, apparently lagged behind other retail sectors such as motor cars, jewellery and watches. However, the additional costs incurred in overhauling our retail network and the household product ranges together with the transitional change from domestic retailing to international franchising post us in a challenging situation to report the loss of HK$90.5 million. For the whole fiscal year, our net loss increased to HK$144.2 million.

Our Group's total shareholders' equity stood at HK$219.8 million on 31 December 2004 as compared to HK$340.9 million at the end of the previous year. The net decrease in equity was attributable to the loss reported for and net of capital raised during the year. In August 2004, 72 million of new shares were issued to ARTAR, a prominent investment conglomerate in Saudi Arabia, raising total net proceeds of HK$23.7 million for development of international business and general working capital.

On 31 December 2004, our cash and bank balances were HK$722.1 million as compared to HK$664.5 million on 31 December 2003. 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 2004 remained healthy at 1.2 times, virtually unchanged from 2003.

Our total bank borrowings on 31 December 2004 decreased to HK$223.2 million from HK$341.9 million on 31 December 2003. The decrease in bank borrowings were mainly due to the fall in demand of margin financing from our clients.

In August, CFSG entered into a convertible note agreement with ARTAR for a consideration of HK$40.5 million. Together with this convertible note of HK$40.5 million, our ratio of our interest bearing borrowings to shareholders' equity was 1.2 on 31 December 2004 as compared to 1.0 on 31 December 2003. 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.

All of the Group's borrowings are in HK 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 2004, the Group was holding a portfolio of listed and unlisted investment with a total value of approximately HK$75.5 million. During the year, a loss of HK$23.8 million on trading of listed securities and commodities was recorded and an impairment loss in respect of non-performing investment of HK$15.5 million was provided for the whole year.

As at 31 December 2004, leasehold properties at their carrying value of approximately HK$65.7 million and bank deposits of HK$36.8 million were pledged to secure a bank term loan and general banking facilities granted to the Group.

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

In November 2004, our Group entered into a provisional sale and purchase agreement to sell an investment property located in Hong Kong at a consideration of HK$45.0 million. The transaction was completed in March 2005. Save as aforesaid, our Group did not make any material acquisitions or disposals during the year ended 31 December 2004. There was no significant investment held during the year. We do not have any future plans for material investments or capital assets.

Subsequent to year end, the Group's retail business division (Pricerite), issued 83 million of new shares to two investors and total net proceeds of HK$23.2 million were raised in April 2005 for its general working capital. In April 2005, Pricerite entered into a placing agreement, pursuant to which 223 million of new shares will be issued to investors upon completion with a view to raising total net proceeds of approximately HK$65.7 million for the expansion of the retail business of Pricerite in China and as its working capital. The Group's shareholdings in Pricerite will be reduced by 13.57% immediately after the placing.

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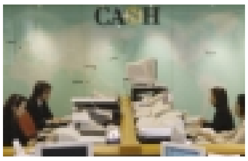
INDUSTRY AND ECONOMIC REVIEW

In 2004, the economic recovery in Hong Kong continued to gain momentum with deflation ending and the property market revived. The 2004 whole year GDP grew by 8.1% in real terms over a year earlier, with private consumption expenditure alone surged by 6.7% in real terms during the same period. Underpinning this recovery has been the strong tourist and consumer spending as well as a pick-up in exports. Tourism, which started to take off in mid-2003 after the relaxation of traveling requirements for individuals in Mainland China, continued to grow by leaps and bounds.

The domestic stock market turnover has also benefited from a rising tide in Macau where the gaming and leisure industry is poised to take off. At the same time, the low interest rates have helped the property market in Hong Kong recover rapidly with turnover in some segments approaching pre-1997 highs. Speculations that Renminbi might re-value imminently have attracted hot money flows into the Hong Kong financial system and boosted activities in both the property and the equity markets.

Externally, the US dollar resumed its course of weakening against the euro and the yen in the second half of 2004 on the back of the burgeoning twin deficits in the US, and concerns over an economic slowdown in the US in 2005. In Mainland China, overheating concerns have led to macro-economic controls since the second half of 2003. Uncertainty over an economic soft-versus hard-landing has caused market jitters and volatility. However, the stock market in Hong Kong remained resilient. Better still, market turnover seemed to have benefited from the volatility. The bellwether Hang Seng Index finished the year 13.2% higher than 2003 and turnover soared 53.7% to HK$3,993.6 billion.



The effect of the abolition of minimum brokerage commissions in 2003 fully surfaced during 2004, with brokerage firms in general experiencing profit margin squeeze. However, the increase in trading volume of our financial services business has more than offset the negative impact of the reduction in commission rates.

Under this backdrop, the retail industry also benefited. According to the Census and Statistics Department, the total retail sales value increased by 10.8% in 2004. However, despite improvements in the general economy, we continued to combat the residue effect of the poor economic fundamentals during the past few years as consumer price sensitivity continued to hamper efforts to improve gross profit for our retailing business. This was reflected in the specific years-long decline in durable goods item in Composite CPI for the year 2004.

BUSINESS REVIEW

Financial Services – CFSG

During the year, we remained committed to solidifying our cost leadership position in the industry. While profit margin squeeze due to minimum commission abolition has impacted our operating revenue, our enhanced cost efficiency throughout the Group has allowed us to maintain our profit margin. We are now in a position to process the same amount of orders at a lower cost.

The global investment environment continued to improve in 2004. Despite concerns over rising commodity prices and geopolitical tensions, major equity markets saw their 2003 broad-based rally continue into 2004 and finished the year stronger on the back of continued global economic growth and low interest rates. The Hang Seng Index was particularly strong in the fourth quarter and closed 2004 at 14,230, or a sequential growth of 13.2%.

Against this increasingly favorable economic and investment backdrop, we met both new and existing opportunities with a focus on diversifying our revenue and product mix, and continuing to strengthen our pillar businesses in brokerage, wealth management, and investment banking. As part of our constant effort to enhance our clients' product choices and experience, we re-launched the foreign exchange trading business in May in anticipation of a growing need for this service.

Echoing our wealth management and brokerage integration initiatives, we upgraded our Causeway Bay Client Service Centre to a Wealth Management Centre in March and opened up a new location in Hunghom in May to strengthen our local presence in this attractive district.

As a technology leader and a client-focused service provider, we have expanded our technology capabilities to better serve clients who have real-time trading needs. In December, we launched the 3G trading platform for the technology-savvy on-the-road clients.

The wealth management business, introduced in 2003 as part of the product and income diversification strategy, continued to experience double-digit growth in headcount and revenue during the year. This wealth management business, which presents an enormous opportunity to drive our future growth, accounted for approximately 11.5% of CFSG's overall revenue in 2004.

In investment banking, we have taken steps to ensure we are competitively-positioned to provide medium-sized corporate clients with a full breadth of services including corporate finance, financial advisory, underwriting, and financial re-engineering. During the year, our investment banking division was very active in broadening and deepening client relationships and has recently entered into agreements with a few PRC clients to sponsor their listings in 2005. The Division has also raised its profile through its participation in major primary and secondary offerings in Hong Kong in 2004.

Home Improvement – Pricerite

In the midst of a stabilising market environment, Pricerite continued to sharpen our business edges to deliver better products and services to our customers.

Improving Customers' Shopping Experience

We continued to improve the shopping environment in Pricerite stores. We completed upgrading our in-store shopping environment. Works included the standardisation of corporate and visual identities, a more logical planning of customer flows inside the stores, and the planning and spacing of racks and merchandise. Overall, the new look of Pricerite stores was well received by customers to be a more spacious and better-displayed shopping environment.

Following the well received "room setting" in-store display of furniture and associated household products, we extended the "room setting" display to all furniture-carrying stores.

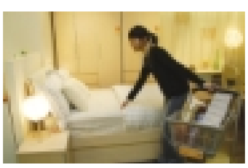
Re-engineering Our Merchandise

To meet the ever demanding needs of our customers for better selection of products, Pricerite introduced wider and deeper ranges of merchandise mix during 2004. We reviewed and refined our range within each product category. On the whole, Pricerite started migrating towards a more focused retailer in product groupings that are highly identified with our customers. Within each of such product categories, we introduced a deeper range of product offering to enhance customer choice.

Sharpening Our Tools

We continued to enhance our operating efficiency and the scalability of our supply chain management. During the year, we conducted a comprehensive review in our operations, system and management reporting processes. A professional team was assigned to conduct a re-engineering project in our household section to study, evaluate, measure and improve the various components of our business. New operations workflow and system were established, trial run and implemented for all functional areas within the purchase and sales cycle and the related inventory management. As part of the re-engineering project, we also reviewed and re-defined the Key Performance Indicators ("KPIs") of various components in our household retailing business. New KPIs were adopted as the standard means of performance measurement, communication and evaluation.

We continued to invest in and deploy IT to provide a more accurate and robust system for our management and operations. Further to winning the Intelligent 20 Award in 2003, our IT application in inventory management, the Wireless Warehouse Management System (WMS), won the MIS Innovation Award 2004 organised by MIS Asia magazine. The award was presented to recognise innovative use of technology in enhancement of productivity in Asian business enterprises.



Our collaborative efforts in re-engineering our household business reported initial success in enhancing our operating efficiency during the year, with remarkable results in raising the vendor fulfillment rate by 12% and improving our stock-out ratio to below 5%. This encouraging result boasted our confidence to re-engineer our furniture business in 2005.

Enhancing Our Customer Service

Our commitment in enhancing our service quality continued and culminated in two Distinguished Salesperson Awards and one Outstanding Young Salesperson Award being presented to our frontline staff in the 36th Distinguished Salesperson Award Programme as organised by the Hong Kong Management Association in June 2004. Participants of the said programme mainly came from the service sector like banks, insurance company, airlines, telecommunications companies and property agencies. We are glad that our investment in nurturing our staff was recognised. During the year under review, we invested in more than 2,000 training hours on improving our staff's skills in areas such as customer service and product knowledge.

Fine Tuning Our Network

As part of our strategy to constantly improve our overall profitability, we continued to regularly review our store network. Stores below performance targets were replaced with new stores that are better located with higher customer traffic. As of 31 December 2004, our store network comprised a total of 38 stores.

Building Strength in the Greater Pearl River Basin

To serve the growing operation needs in the PRC markets, in September, Pricerite started an operations support centre in Shenzhen, the PRC, employing more than 70 staff to provide cost effective and timely back office support to serve the markets in Hong Kong and the Guangdong Province. The operations support centre will also include a procurement centre to support our global distribution business.

To further strengthen our presence in Guangzhou, we relocated our store from the southern region to the Tian He area in the northern region. The new store in this Northern Guangzhou is favourably located at a popular shopping area with proximity to excellent customer traffic and easy access to the subway network. In Shenzhen, our fourth outlet was opened in the new B&Q home decoration and building materials mall. To date, we have a total of four outlets in Shenzhen.

Materialising Our International Business Model

In 2004 Pricerite made significant advancements in international business. Our international expansion strategy consists of two components: licensing of the Pricerite operation, and provision of supply chain management services for international retailers.

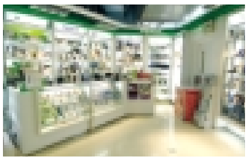
Our business in the Middle East continued to made significant progress. Pricerite and ARTAR, our Saudi business partner, built operation teams in Riyadh and Hong Kong to work on the opening of the Saudi operation and the associated work in supply chain operations. The Riyadh store boasts 50,000 square feet shopping space and is expected to open in 2005.

Catering for Growing Market Demand

In view of the booming demand for the most up-to-date digital products from both local and tourist customers, we launched a new retail chain named "3C Digital" in Hong Kong last year. 3C Digital aims at providing customers with trendy digital products to enjoy life. Four shops were initially opened, including a flagship store at Langham Place, Mongkok and three "shop-in-shop" operations in Pricerite stores. All four stores are strategically located at high traffic shopping area in Mongkok, Shatin and Yuen Long.

OUTLOOK

For Financial Services – CFSG

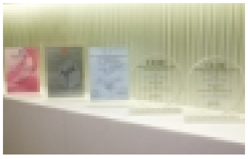


Looking ahead into 2005, we will continue to maintain our leadership in cost management and control, and at the same time, further expand our efforts to diversify our product mix and revenue sources. On the brokerage side, we will continue our strategy to accelerate the integration of our brokerage and wealth management businesses to achieve income growth as well as stability. Our goal is to perform well and outperform our peers across economic and market cycles.

The fast-growing wealth management business will remain as an integral part of our focus strategy to diversify our income streams. With a high savings-to-income ratio and a relatively low penetration of wealth management services in Hong Kong, business opportunity in wealth management is enormous. While competition seems to be intensifying, we are confident that we have established ourselves as a solid player in the industry through our strong brand recognition, extensive distribution coverage, and ability to provide a full array of financial products and services.

On the investment banking front, we expect to see fund-raising and financial advisory activities continue to grow. An increasing number of state-owned and private-sector enterprises in Mainland China have expressed interest to raise funds abroad and Hong Kong is still by far the preferred destination for international capital-raising. With a focus on medium-sized enterprises in Mainland China, our investment banking division has gained good presence in recent years and is now well-positioned to seize opportunities as they arise.

While there is cause for concern over the external economic environment such as a significant slowdown in the US and possibly in Mainland China, we remain cautiously optimistic on Hong Kong's economic resilience as well as our revenue and profit outlook. We are confident that we have built a strong platform over the past several years for moving our organisation forward. Our emphasis on a focused strategy as well as cost leadership in an increasing dynamic environment will, we believe, enable us to perform well across market cycles. At the same time, the steps we have taken to diversify our revenue sources will likely start to bear fruit in the years to come. With our commitment to excellence, dedication to servicing clients, and determination to create customer value, we are well-positioned to become the financial services house of choice for our clients through expanded product offerings, enhanced client experience, and cross-selling synergies.



For Home Improvement – Pricerite

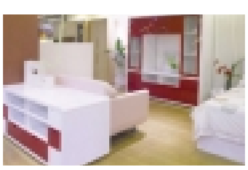
Moving Forward Towards a New Pricerite

Capturing Opportunities in the Changing Retail Market Environment

The Pricerite board of directors is of a view that 2004 was a period in which the Group strengthened our basic elements in management and steered the strategic direction towards a more internationally based operation platform. While the year 2004 represented an improvement in the operating environment for Hong Kong retailers, it also exemplified the limitations of the Hong Kong retail markets in locally consumed products.

In 2004, we conducted a comprehensive market analysis of recent retail market trend in local Hong Kong economy. In all, the improvement in retail landscape comprised of two elements: a rebound in consumer demand following the revival of economy, and a fundamental change in consumer behaviour of both Hong Kong people and inbound tourists.

The change in consumer behaviour implied that nowadays consumers are more selective and focused on well-chosen ranges of specialised goods. In view of this, we will continue to increase our efforts in re-engineering our merchandise, so as to provide well-chosen ranges of furniture and household products to enhance our customer satisfaction. On the other hand, to meet the ever-increasing demand of customers for quality digital products, we will continue to build coalitions with our vendors, so as to further develop value-added services, such as free-downloads and infotainment related services, to our customers. Joint marketing programmes with merchants and credit card companies will also be launched. We are planning to expand the retail network of 3C Digital into prime shopping areas in 2005.

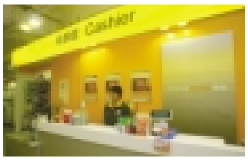


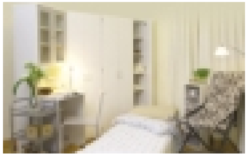
Moreover, to capture the growing business opportunities emerged in the international arena, Pricerite board of directors will continue to re-engineer the Group in order to migrate Pricerite into a global player in the furniture and household product supply chain market.

Leveraging and Further Sharpening Our Competitive Edges

In our twenty years' of operation, Pricerite is well recognised as a leading retailer that delivers the best product selection and value. Down the road we will further our expertise in providing well-selected and value-for-money products to satisfy our customers' home improvement needs.

In order to offer the best value to our customers and at the same time to enhance our shareholder value, Pricerite will continue to streamline our operations and rationalise our operating costs. In the next five years, this will be achieved by consolidation of sourcing and back office support activities in our operations support centre in Shenzhen. Upon full function of our Shenzhen operations support centre by end of 2005, we will be able to further enhance our supply chain functions and smooth away operating wastage and non-essential cost elements. We will also be able to leverage on this operations support centre to further develop our international supply chain business.





Employee Information

At 31 December 2004, the Group had 1,422 employees, of which 188 were at CFSG Group and 1,185 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$165.1 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, motivation and team building etc.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 45, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Board on 9 March 1998. He is in charge of the Group's strategic business development and executive management. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, 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 a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and the chairman of the Hong Kong Retail Management Association. Mr Kwan is also the substantial shareholder of the Company and the chairman of CFSG and Pricerite.

Bernard Ping-wah LAW

CFO, 46, MBA, FCCA, FCPA, 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.

Kenneth Kin-yick WONG

Deputy CEO, 47, 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 and the financial services businesses. 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.

Felix Wen-hao MIAO

Deputy CEO, 43, 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 and the Group's public affairs. 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.

Joan Elmond Oi-kuen KWOK

Executive Director, 36, 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.

Thomas Yuen-cheuk LI

Executive Director, 43, 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 and participates in the Group's retailing business in Hong Kong. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hak-sin CHAN

Independent Non-executive Director, 43, 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.

Johnny Ka-kui LEUNG

Independent Non-executive Director, 47, 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.

Chuk-yan WONG

Independent Non-executive Director, 43, MSc(Bus Admin), 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.

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 2004.

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 of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services, (b) retailing of furniture and household items provided via Pricerite, (c) investment holding including property investment, and (d) brand management.

RESULTS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 38 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 2004 is set out on page 97 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.

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 2004, the Company had no reserves available for distribution to shareholders, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$292,809,000.

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 AND USE OF PROCEEDS

On 19 August 2004, the Company entered into an agreement pursuant to which the Company would issue 72,000,000 new shares of HK$0.10 each in the Company to Abdulrahman Saad Al-Rashid & Sons Company Limited, an independent third party, at the subscription price of HK$0.330 per share. The closing price of each share on 19 August 2004 (the date of the agreement on which the terms has been fixed) was HK$0.360 per share. The agreement has been completed and 72,000,000 new shares in the Company were duly issued and allotted on 24 September 2004.

The funds raised from the agreement of approximately HK$23,760,000 was used as to approximately HK$20,000,000 for the development of the international business while the balance as the general working capital of the Group. Details of the transaction were set out in the Company's announcement dated 20 August 2004.

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	5.4%
– five largest suppliers	16.4%

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

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	
Miao Wen Hao Felix	
Kwok Oi Kuen Joan Elmond	
Li Yuen Cheuk Thomas	
Law Ka Kin Eugene	(resigned on 3 November 2004)
Chan Yau Ching Bob	(resigned on 28 February 2005)

Independent Non-executive Directors:

Chan Hak Sin
Leung Ka Kui Johnny
Wong Chuk Yan

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Dr Chan Hak Sin and Mr Leung Ka Kui Johnny 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 or its subsidiaries was a party during the year.

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 2004, 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	–	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	–	1.16
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	–	0.62
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	–	0.57
Chan Yau Ching Bob	Beneficial owner and family interest	70,500	200,200	–	0.06
		10,368,575	200,200	164,028,376	39.90

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

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2004	lapsed during the year (Note (2))	outstanding as at 31 December 2004	Percentage to issued shares as at 31 December 2004 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	(4)	3,000,000	–	3,000,000	0.69
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	–	3,000,000	0.69
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	–	1,000,000	0.23
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	–	1,000,000	0.23
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	–	3,000,000	0.69
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	–	1,000,000	0.23
Chan Yau Ching Bob	31/8/2001	1/3/2002 – 28/2/2004	2.600	(1)	1,500,000	(1,500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	–	3,000,000	0.69
Law Ka Kin Eugene	2/12/2003	2/12/2003 – 30/11/2005	0.502	(5)	1,000,000	(1,000,000)	–	–
					17,500,000	(2,500,000)	15,000,000	3.45

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 lapsed options were due to expiry or cessation of directorship or employment of participants with the Group.

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

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

(5) Mr Law Ka Kin Eugene resigned as Director of the Company during the year.

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

B. Associated corporations (within the meaning of SFO)

1. *CFSG*

(a) Long positions in the shares

		Number of shares		
Name	Capacity	Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	386,827,434*	51.27
Wong Kin Yick Kenneth	Beneficial owner	1,620,000	–	0.21
		1,620,000	386,827,434	51.48

* The shares were held 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 the Company through Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

					Number of options				
Name	Date of grant	Exercise period	Exercise price per share (Note (1)) (HK$)	Notes	outstanding as at 1 January 2004	adjusted on 24 April 2004 (Note (1))	lapsed during the year (Note (3))	outstanding as at 31 December 2004	Percentage to issued shares as at 31 December 2004 (%)
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.46	(6)	1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(6)	2,450,000	735,000	–	3,185,000	0.42
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	(2,652,000)	–	–
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	(2,652,000)	–	–
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	1,530,000	459,000	(1,989,000)	–	–
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Chan Yau Ching Bob	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Law Ka Kin Eugene	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)&(5)	2,550,000	765,000	(3,315,000)	–	–
	3/11/2003	3/11/2003 – 31/10/2004	0.46	(5)	1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(5)	2,450,000	735,000	(3,185,000)	–	–
					36,510,000	10,953,000	(25,168,000)	22,295,000	2.94

Notes:

(1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in CFSG with effect from 24 April 2004.

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

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

(5) Mr Law Ka Kin Eugene resigned as Director of the Company during the year.

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

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

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	446,572,587*	66.98

* The shares were held as to 443,572,587 shares by CIGL and its subsidiaries and as to 3,000,000 shares by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in 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 (Notes (1)&(2)) (HK$)	Notes	Number of options: outstanding as at 1 January 2004	adjusted on 2 March 2004 (Note (1))	adjusted on 11 September 2004 (Note (2))	exercised during the year (Note (3))	cancelled during the year (Note (4))	lapsed during the year (Note (5))	outstanding as at 31 December 2004	Percentage to issued shares as at 31 December 2004 (%)
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.200	(7)	1,000,000	–	–	–	–	(1,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2004	0.316	(7)	1,000,000	4,000,000	666,667	–	–	(5,666,667)	–	–
Law Ping Wah Bernard	17/1/2002	1/2/2002 – 31/1/2004	4.200		650,000	–	–	–	–	(650,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2004	0.316		1,000,000	4,000,000	666,667	–	–	(5,666,667)	–	–
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	0.316		500,000	2,000,000	333,333	–	–	–	2,833,333	0.42
Li Yuen Cheuk Thomas	17/1/2002	1/2/2002 – 31/1/2004	4.200		300,000	–	–	–	–	(300,000)	–	–
	2/12/2003	1/12/2004 – 30/11/2005	0.316		500,000	2,000,000	333,333	–	–	–	2,833,333	0.42
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2004	0.316		1,000,000	4,000,000	666,666	(200,000)	(5,466,666)	–	–	–
					5,950,000	16,000,000	2,666,666	(200,000)	(5,466,666)	(13,283,334)	5,666,666	0.84

Notes:

(1) The number and the exercise price of options which remain outstanding have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004.

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

(3) On 29 October 2004, 200,000 shares options of Pricerite were exercised at the exercise price of HK$0.316 per share. The weighted average closing price of the Pricerite's shares immediately before the date of exercise was HK$0.345 per share.

(4) On 3 November 2004, 5,466,666 shares options of Pricerite were cancelled. The exercise price of the cancelled options was HK$0.316 per share.

(5) The lapsed options were due to expiry.

(6) No options was granted during the year.

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

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

Save as disclosed above, as at the 31 December 2004, 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.

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 shares of HK$0.02 each in 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, 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 ("Jeffnet") (Note (1))	Trustee of a discretionary trust	164,028,376	37.49
Cash Guardian (Note (1))	Interest in a controlled corporation	164,028,376	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	72,000,000	16.46
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	72,000,000	16.46

Notes:

(1) This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by 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.

(2) This refers to the same number of shares were held by ARTAR, which was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the shares held by ARTAR.

Save as disclosed above, at 31 December 2004, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the year ended 31 December 2004.

DONATIONS

During the year, the Group made charitable donations amounted to approximately HK$311,000.

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.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 (in force prior to the amendments effective on 1 January 2005) of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the year ended 31 December 2004 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.

The Company had adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 of the Listing Rules, and all Directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2004.

The Company has received a written confirmation in respect of independence from each of the Independent Non-executive Director of the Company in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them is to be independent.

AUDIT COMMITTEE

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

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

Hong Kong, 15 April 2005

Auditors' Report

Deloitte.
德勤

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

We have audited the financial statements on pages 38 to 96 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 Institute of Certified Public 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 2004 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, 15 April 2005

Consolidated Income Statement

For the year ended 31 December 2004

	Notes	**2004 HK$'000**	2003 HK$'000 (restated)
Turnover	4	**1,124,389**	1,033,831
Other operating income		**11,599**	22,634
Reversal of impairment loss previously recognised in respect of property and equipment		**–**	900
Cost of sales		**(598,895)**	(541,246)
Salaries, allowances and commission	6	**(234,776)**	(204,697)
Other operating, administrative and selling expenses		**(339,682)**	(316,525)
Depreciation and amortisation		**(53,674)**	(55,946)
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		**(23,789)**	(5,560)
Finance costs	7	**(11,398)**	(7,593)
Allowance for bad and doubtful debts		**(7,630)**	(1,073)
Impairment loss recognised in respect of investments		**(15,500)**	–
Impairment loss recognised in respect of goodwill	16	**(10,000)**	–
Impairment loss recognised in respect of property and equipment	13	**(2,060)**	–
Impairment loss recognised in respect of goodwill held in reserves		**–**	(300)
		(161,416)	(75,575)
Write back of loan to an associate		**–**	24,600
Loss before taxation	10	**(161,416)**	(50,975)
Taxation	11	**(356)**	(134)
Loss before minority interests		**(161,772)**	(51,109)
Minority interests		**17,606**	(520)
Net loss attributable to shareholders		**(144,166)**	(51,629)
Loss per share	12		
– Basic		**HK$(0.37)**	HK$(0.15)
– Diluted		**HK$(0.37)**	HK$(0.15)

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Property and equipment	13	**149,120**	134,072
Investments	15	**10,800**	15,500
Goodwill	16	**57,199**	70,808
Intangible assets	17	**9,092**	10,922
Other assets	18	**13,346**	21,504
Loans receivable	19	**19,334**	–
		258,891	252,806
Current assets			
Inventories	20	**59,013**	61,295
Accounts receivable	21	**365,047**	497,728
Loans receivable	19	**20,623**	700
Prepayments, deposits and other receivables		**44,020**	79,041
Investments	15	**64,700**	61,200
Taxation recoverable		**–**	6
Bank deposits under conditions	22	**52,784**	36,565
Bank balances – trust and segregated accounts		**433,156**	382,056
Bank balances (general accounts) and cash		**236,147**	245,924
		1,275,490	1,364,515
Current liabilities			
Accounts payable	23	**784,990**	739,479
Accrued liabilities and other payables		**97,901**	72,647
Taxation payable		**729**	513
Obligations under finance leases			
– amount due within one year	24	**93**	504
Bank borrowings – amount due within one year	25	**181,777**	322,442
		1,065,490	1,135,585
Net current assets		**210,000**	228,930
		468,891	481,736

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Capital and reserves			
Share capital	26	**43,748**	36,548
Reserves	27	**176,091**	304,352
		219,839	340,900
Minority interests		**167,100**	121,210
Non-current liabilities			
Bank borrowings – amount due after one year	25	**41,452**	19,500
Convertible notes	28	**40,500**	–
Obligations under finance leases			
– amount due after one year	24	**–**	126
		81,952	19,626
		468,891	481,736

The financial statements on pages 38 to 96 were approved and authorised for issue by the board of Directors on 15 April 2005 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Balance Sheet

At 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Property and equipment	13	**552**	1,320
Investments in subsidiaries	14	**–**	–
		552	1,320
Current assets			
Prepayments, deposits and other receivables		**1,928**	1,928
Amounts due from subsidiaries		**216,506**	336,456
Bank balances and cash		**63**	9
		218,497	338,393
Current liabilities			
Accrued liabilities and other payables		**640**	340
Net current assets		**217,857**	338,053
		218,409	339,373
Capital and reserves			
Share capital	26	**43,748**	36,548
Reserves	27	**174,661**	302,825
		218,409	339,373

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Total Equity HK$'000
At 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 and 1 January 2004	**340,900**
Issue of new shares	**23,760**
Share issue expenses	**(655)**
Net loss for the year	**(144,166)**
At 31 December 2004	**219,839**

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	**2004 HK$'000**	2003 HK$'000
Operating activities			
Loss before taxation		**(161,416)**	(50,975)
Adjustments for:			
Advertising and telecommunication services expenses	29	**11,213**	13,269
Allowance for bad and doubtful debts		**7,630**	1,073
Allowance for inventory obsolescence and write-off of inventories		**19,041**	7,195
Amortisation of intangible assets		**1,830**	1,830
Amortisation of goodwill		**6,928**	4,351
Depreciation and amortisation of property and equipment		**44,916**	49,765
Deemed gain on partial disposal of interest in Pricerite Group Limited ("Pricerite")		**(769)**	–
Dividends from investments		**(1,015)**	–
Gain on partial disposal of interest in CASH Financial Services Group Limited ("CFSG")		**–**	(6,321)
Impairment loss recognised in respect of goodwill held in reserves		**–**	300
Impairment loss recognised in respect of investments		**15,500**	–
Impairment loss recognised in respect of goodwill		**10,000**	–
Impairment loss recognised in respect of property and equipment		**2,060**	–
Reversal of impairment loss previously recognised in respect of property and equipment		**–**	(900)
Interest expenses		**11,398**	7,593
Loss on disposal of property and equipment		**4,746**	1,941
Operating cashflow before movements in working capital		**(27,938)**	29,121
Increase in inventories		**(16,759)**	(3,099)
Decrease (Increase) in accounts receivable		**131,457**	(324,054)
(Increase) Decrease in loans receivable		**(38,118)**	1,644
Decrease (Increase) in prepayments, deposits and other receivables		**26,022**	(5,808)
Increase in investments		**(3,500)**	(8,666)
Increase in bank balances - trust and segregated accounts		**(51,100)**	(97,036)
Increase in accounts payable		**45,511**	249,453
Increase (Decrease) in accrued liabilities and other payables		**25,254**	(16,858)
Cash from (used in) operations		**90,829**	(175,303)
Hong Kong Profits Tax paid		**(134)**	–
Dividends received		**1,015**	–
Interest paid		**(11,376)**	(7,550)
Net cash from (used in) operating activities		**80,334**	(182,853)

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 HK$'000	2003 HK$'000
Investing activities			
Additional payment for acquisition of a subsidiary	16(ii)	**(1,400)**	–
Expenses paid for subscription of CFSG's rights shares		**(800)**	–
Proceeds from disposal of property and equipment		**381**	15,825
Purchase of property and equipment		**(67,151)**	(9,918)
Purchase of investments		**(10,800)**	(15,500)
Statutory and other deposits (paid) refunded		**(1,601)**	363
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)		**–**	(2,706)
Decrease in club memberships		**–**	329
Proceeds from partial disposal of interest in CFSG		**–**	12,335
Net cash (used in) from investing activities		**(81,371)**	728
Financing activities			
(Decrease) Increase in trust receipt loans		**(3,782)**	8,444
Increase in bank deposits under conditions		**(16,219)**	(9,675)
(Decrease) Increase in bank loans		**(86,603)**	136,600
Decrease in bank overdrafts		**(28,328)**	(8,644)
Repayments of obligations under finance leases		**(537)**	(804)
Proceeds on issue of convertible notes		**40,500**	–
Proceeds on issue of shares		**23,760**	16,500
Share issue expenses		**(655)**	(76)
Contributions from minority shareholders		**66,476**	30,642
Interest paid on obligations under finance leases		**(22)**	(43)
Share issue expenses paid by CFSG and Pricerite		**(3,330)**	(2,546)
Net cash (used in) from financing activities		**(8,740)**	170,398
Net decrease in cash and cash equivalents		**(9,777)**	(11,727)
Cash and cash equivalents at beginning of year		**245,924**	257,651
Cash and cash equivalents at end of year		**236,147**	245,924
Being:			
Bank balances and cash		**236,147**	245,924

Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Goodwill

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

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

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

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

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

Investments

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

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

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

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

Intangible assets

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

Club memberships

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Revenue recognition

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

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

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

Realised profits and losses arising from trading of financial products, including equities, futures and option contracts as well as leveraged foreign exchange contracts which are not for hedging purposes, are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the financial products. Open contracts/positions are valued at market rate with unrealised profits and losses included in the income statement.

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

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

Taxation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Retirement benefits costs

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

4. TURNOVER

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Principal activities are as follows:

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

Income statement for the year ended 31 December 2004

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2004

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

Other information for the year ended 31 December 2004

	Financial services HK$'000	Retailing HK$'000	Investment holding HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	7,137	20,026	–	608	39,380	67,151
(Write back of) Allowance for bad and doubtful debts	(1,139)	6,269	–	–	2,500	7,630
Depreciation and amortisation	21,653	27,658	–	170	4,193	53,674
Impairment losses	–	12,060	15,500	–	–	27,560
Loss on disposal of property and equipment	7	4,646	–	93	–	4,746

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2003

	Financial services HK$'000	Retailing HK$'000	Investment holding HK$'000	Others HK$'000	Consolidated HK$'000
Turnover (restated)	191,102	836,006	150	6,573	1,033,831
Segment profit (loss)	9,988	(36,467)	24,450	(9,882)	(11,911)
Unallocated corporate expenses					(39,064)
Loss before taxation					(50,975)
Taxation					(134)
Loss after taxation and before minority interests					(51,109)

Balance sheet as at 31 December 2003

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2003

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

Geographical segments

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

6. SALARIES, ALLOWANCES AND COMMISSION

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

The remuneration of the Directors fell within the following bands:

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

8. DIRECTORS' REMUNERATION (continued)

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

9. EMPLOYEES' REMUNERATION

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

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

Their remuneration were within the following band:

	2004 Number of employees	2003 Number of employees
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	2

10.LOSS BEFORE TAXATION

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

11. TAXATION

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

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

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

	2004 HK$'000	2003 HK$'000
Loss before taxation	**(161,416)**	(50,975)
Taxation at income tax rate of 17.5%	**(28,248)**	(8,921)
Tax effect of estimated tax losses not recognised	**16,385**	15,115
Tax effect of expenses not deductible for tax purpose	**17,745**	5,402
Tax effect of income not taxable for tax purpose	**(988)**	(6,080)
Tax effect of utilisation of estimated tax losses previously not recognised	**(4,532)**	(6,101)
Underprovision of taxation in prior years	**6**	–
Others	**(12)**	719
Taxation charge for the year	**356**	134

11.TAXATION (continued)

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

	Accelerated tax depreciation HK$'000	Estimated tax losses HK$'000	Total HK$'000
At 1 January 2003	(8,572)	8,572	–
Credit (Charge) to income statement	4,786	(4,786)	–
Effect of change in tax rate	(803)	803	–
At 31 December 2003 and 1 January 2004	(4,589)	4,589	–
Credit (Charge) to income statement	95	(95)	–
At 31 December 2004	(4,494)	4,494	–

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

At the balance sheet date, the Group has unused estimated tax losses of HK$587,250,000 (2003: HK$520,070,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$25,680,000 (2003: HK$26,223,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses HK$561,570,000 (2003: HK$493,847,000) due to the unpredictability of future profit streams.

12.LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2004 together with the comparative figures for 2003 is based on the following data:

	2004 **HK$'000**	2003 HK$'000
Loss for the purposes of basic and diluted loss per share	**(144,166)**	(51,629)
Weighted average number of ordinary shares for the purpose of basic loss per share	**384,959,237**	340,333,142
Effect of dilutive potential ordinary shares assumed exercise of share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**384,959,237**	340,333,142

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

(i) adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries' shares; and

(ii) assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of the shares.

13. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2004	55,000	10,000	96,970	186,388	3,360	351,718
Additions	39,380	–	9,863	17,908	–	67,151
Disposals	–	–	(12,848)	(11,248)	(220)	(24,316)
At 31 December 2004	94,380	10,000	93,985	193,048	3,140	394,553
ACCUMULATED DEPRECIATION AND AMORTISATION AND IMPAIRMENT						
At 1 January 2004	21,668	10,000	53,888	131,136	954	217,646
Provided for the year	3,197	–	18,079	22,497	1,143	44,916
Impairment loss recognised in the income statement	–	–	899	1,161	–	2,060
Eliminated on disposals	–	–	(10,214)	(8,892)	(83)	(19,189)
At 31 December 2004	24,865	10,000	62,652	145,902	2,014	245,433
NET BOOK VALUES						
At 31 December 2004	69,515	–	31,333	47,146	1,126	149,120
At 31 December 2003	33,332	–	43,082	55,252	2,406	134,072

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

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

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

13.PROPERTY AND EQUIPMENT (continued)

The net book values of furniture, fixtures and equipment of HK$47,146,000 and motor vehicles of HK$1,126,000 included an amount of HK$83,000 (2003: HK$142,000) and HK$334,000 (2003: HK$772,000) respectively in respect of assets held under finance leases.

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1 January 2004 and 31 December 2004	8,426	11,130	19,556
ACCUMULATED DEPRECIATION			
At 1 January 2004	7,106	11,130	18,236
Provided for the year	768	–	768
At 31 December 2004	7,874	11,130	19,004
NET BOOK VALUES			
At 31 December 2004	552	–	552
At 31 December 2003	1,320	–	1,320

14.INVESTMENTS IN SUBSIDIARIES

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

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	**Place of incorporation**	**Paid up issued share capital**	**Proportion of nominal value of issued share capital held by the Company** %	**Principal activities**
CFSG	Bermuda	Ordinary HK$75,455,644	51.27	Investment holding
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	51.27	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	51.27	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$22,000,000	51.27	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	51.27	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	51.27	Money lending

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Celestial Securities Limited ("CSL")	Hong Kong	Ordinary HK$120,000,000	51.27	Securities, equity options broking and trading and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	51.27	Investment holding
CASH Frederick Taylor Limited ("CASH Frederick Taylor")	Hong Kong	Ordinary* HK$1,000,000	35.89	Financial advisory consultancy
Pricerite	Bermuda	Ordinary HK$13,333,856	66.53	Investment holding
Pricerite Stores Limited ("PSL")	Hong Kong	Ordinary HK$5,001,000	66.53	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK$2	66.53	Retailing of furniture and household goods through a website

14.INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
3C Digital Limited ("3C")	Hong Kong	Ordinary ** HK$100	39.92	Retailing of digital products and electrical appliances
Cosmos Global Limited	Hong Kong	Ordinary HK$2	66.53	Wholesale and retailing of branded household products
E-Tailer Holding Limited	British Virgin Islands	Ordinary US$1	66.53	Trading of securities

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

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

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

15.INVESTMENTS

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

16. GOODWILL

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

Notes

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

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

(iii) Due to continuous losses incurred by the subsidiaries principally engaging in wholesale and retailing of furniture and household goods, the Directors reassessed the recoverable amount of the goodwill arising on acquisition of these subsidiaries and recognised an impairment loss of approximately HK$10,000,000 which was determined with reference to the estimated amount obtainable from the sale of these subsidiaries less cost of disposal.

17. INTANGIBLE ASSETS

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

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

18. OTHER ASSETS

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

19.LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

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

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

20.INVENTORIES

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

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

21. ACCOUNTS RECEIVABLE

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

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

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

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

21.ACCOUNTS RECEIVABLE (continued)

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

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

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

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

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

22. BANK DEPOSITS UNDER CONDITIONS

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

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2003: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

(b) The Group's bank deposits of HK$36,766,000 (2003: HK$20,757,000) were pledged to banks to secure general banking facilities granted to subsidiaries.

23. ACCOUNTS PAYABLE

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

23. ACCOUNTS PAYABLE (continued)

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

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

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

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

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

24. OBLIGATIONS UNDER FINANCE LEASES

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

The Group leased certain of its furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

25. BANK BORROWINGS

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

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

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
On demand or within one year	**181,777**	322,442
More than one year, but not exceeding two years	**6,634**	6,000
More than two years, but not exceeding five years	**34,818**	13,500
	223,229	341,942
Less: Amount due within one year shown under current liabilities	**(181,777)**	(322,442)
Amount due after one year	**41,452**	19,500

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

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

(a) corporate guarantees from certain subsidiaries of the Company and the Company;

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

25. BANK BORROWINGS (continued)

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

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

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2003: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

26. SHARE CAPITAL

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

Notes:

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

26. SHARE CAPITAL (continued)

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

27. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP						
At 1 January 2003	268,848	457,461	1,160	12,314	(394,526)	345,257
Impairment loss recognised in respect of goodwill	–	300	–	–	–	300
Issue of new shares	10,500	–	–	–	–	10,500
Share issue expenses	(76)	–	–	–	–	(76)
Amount transferred to write off accumulated losses	–	(441,037)	–	–	441,037	–
Net loss for the year	–	–	–	–	(51,629)	(51,629)
At 31 December 2003 and 1 January 2004	279,272	16,724	1,160	12,314	(5,118)	304,352
Issue of new shares	16,560	–	–	–	–	16,560
Share issue expenses	(655)	–	–	–	–	(655)
Net loss for the year	–	–	–	–	(144,166)	(144,166)
At 31 December 2004	295,177	16,724	1,160	12,314	(149,284)	176,091

27.RESERVES (continued)

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

Notes:

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

(b) The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 1994 and the nominal value of the issued share capital of the Company issued in exchange thereof, and the net amount arising from the reduction of share premium account, capital reduction and the amounts transferred to write-off accumulated losses.

(c) The other reserve of the Group represents the reserve arising from the distribution of shares of CASH on-line Limited (now renamed CFSG) in year 2000.

(d) The contributed surplus of the Company represents the difference between the consolidated net asset value of the subsidiaries acquired in 1994 when its entire issued share capital was acquired by the Company pursuant to the group reorganisation, and the nominal amount of the Company's share issued in consideration for such acquisition, and the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write-off the accumulated losses.

27. RESERVES (continued)

(e) Under the Companies Act 1981 of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(f) Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby less than the aggregate of its liabilities and its issued share capital and share premium accounts.

28. CONVERTIBLE NOTES

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

29. MAJOR NON-CASH TRANSACTIONS

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

30.CONTINGENT LIABILITIES

(a) In prior years, Cheung Yiu Wing ("Cheung"), the former chairman and a shareholder of King Pacific International Holdings Limited ("KPI"), filed a statement of claim against the Company alleging that the Company had orally agreed to purchase from Cheung 50 million shares of KPI at a price of HK$1.90 per share and seeking relief against the Company for, inter alia, damages. No discussions had been made between the Company and Cheung in relation to any purchase or intention to purchase the said shares as claimed by Cheung and no agreement of whatever nature, oral or written, had been entered into between the Company and Cheung. The Directors do not envisage the claim by Cheung will be held valid. Accordingly, no provision was made in the financial statements.

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

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

(d) In prior year, Pang Po King Cannie ("Pang") filed a statement of claim against CSL, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements.

30.CONTINGENT LIABILITIES (continued)

(e) In prior year, Chan Pit Wah ("Chan") filed a statement of damages against the PSL alleging that a forklift truck of PSL rolled over Chan's right foot and he has claimed for damages of approximately HK$1,780,000 with interest and costs thereof. During the year ended 31 December 2004, the Group made a provision of HK$570,000. No provision was made for the remaining amount as in the opinion of the legal advisor, it is not practicable at this stage to determine with certainty the amount of damages to be awarded to the plaintiff.

(f) During the year, Innovision Products Limited ("Innovision") filed a statement of claim against PSL alleging that PSL owed Innovision of approximately HK$520,000 in respect of goods supplied to PSL and the interest on the said amount. An amount of approximately HK$249,000 has been recognised in the financial statements. No provision for the remaining amount has been made in these financial statements as in the opinion of the Directors, the amount of the potential liability is not significant.

(g) The Company has given guarantees to bank in respect of general facilities granted to its subsidiary. The extent of such facilities utilised by the subsidiaries at 31 December 2004 amounted to approximately HK$26,848,000 (2003: HK$39,606,000).

31.OPERATING LEASE COMMITMENTS

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

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

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

32. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

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

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the Group, including CFSG and its subsidiaries ("CFSG Group") and Pricerite and its subsidiaries ("Pricerite Group") (together "CASH Group"); or

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

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

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 36,548,382 shares, representing 8.35% of the issued share capital of the Company as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

32. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

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

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

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

32.SHARE OPTION SCHEMES (continued)

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

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

Name of scheme	Date of grant	Exercise price per share (HK$)	Exercise period	Notes	Number of options: outstanding as at 1/1/2003	granted in 2003	lapsed in 2003 (Note (3))	outstanding as at 31/12/2003 and 1/1/2004	lapsed in 2004 (Note (3))	outstanding as at 31/12/2004
Directors										
Old Option Scheme	10/1/2000	16.000	10/1/2001-9/1/2003		500,000	–	(500,000)	–	–	–
	6/11/2000	5.400	16/5/2001-15/5/2003	(2)	1,500,000	–	(1,500,000)	–	–	–
	31/8/2001	2.600	1/3/2002-28/2/2004	(2)	1,500,000	–	–	1,500,000	(1,500,000)	–
New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003		16,500,000	–	(16,500,000)	–	–	–
	2/5/2002	1.320	1/11/2002-31/10/2003	(2)	1,100,000	–	(1,100,000)	–	–	–
	2/12/2003	0.502	2/12/2003-30/11/2005		–	16,000,000	–	16,000,000	(1,000,000)	15,000,000
					21,100,000	16,000,000	(19,600,000)	17,500,000	(2,500,000)	15,000,000
Employees										
Old Option Scheme	28/7/2000	9.800	1/2/2001-31/1/2003	(1)	50,000	–	(50,000)	–	–	–
	6/11/2000	5.400	16/5/2001-15/5/2003	(2)	1,000,000	–	(1,000,000)	–	–	–
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)	300,000	–	(300,000)	–	–	–
	2/2/2001	4.800	16/8/2001-15/8/2003	(1)	300,000	–	(300,000)	–	–	–
	31/8/2001	2.600	1/3/2002-28/2/2004	(2)	3,000,000	–	–	3,000,000	(3,000,000)	–
New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003		3,000,000	–	(3,000,000)	–	–	–
	2/5/2002	1.320	1/11/2002-31/10/2003	(2)	1,500,000	–	(1,500,000)	–	–	–
					9,150,000	–	(6,150,000)	3,000,000	(3,000,000)	–
					30,250,000	16,000,000	(25,750,000)	20,500,000	(5,500,000)	15,000,000

Notes:

(1) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.

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

32. SHARE OPTION SCHEMES (continued)

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

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

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

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

(B) Share option schemes of CFSG

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

(i) The purpose was to provide incentives to:

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

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

32. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

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

32.SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

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

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

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

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

					Number of options							
Name of scheme	Date of grant	Exercise price per share (HK$)	Exercise period	Notes	outstanding as at 1/1/2003	lapsed in 2003	adjusted on 4/11/2003	granted in 2003	outstanding as at 31/12/2003 and 1/1/2004	adjusted on 24/4/2004	lapsed in 2004	outstanding as at 31/12/2004
Directors												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	4,000,000	–	4,160,000	–	8,160,000	2,448,000	(10,608,000)	–
												–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(2)	–	–	–	8,750,000	8,750,000	2,625,000	(11,375,000)	–
	2/12/2003	0.34	2/12/2003-30/11/2005	(2)	–	–	–	19,600,000	19,600,000	5,880,000	(3,185,000)	22,295,000
					4,000,000	–	4,160,000	28,350,000	36,510,000	10,953,000	(25,168,000)	22,295,000
Employees												
CFSG Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	1,000,000	–	1,040,000	–	2,040,000	612,000	(2,652,000)	–
	27/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	645,000	(275,000)	384,800	–	754,800	220,320	(975,120)	–
												–
CFSG New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(2)	–	–	–	3,750,000	3,750,000	1,125,000	(4,875,000)	–
	2/12/2003	0.34	1/6/2004-31/5/2006	(2)&(3)	–	–	–	17,750,000	17,750,000	5,115,000	(1,675,000)	21,190,000
					1,645,000	(275,000)	1,424,800	21,500,000	24,294,800	7,072,320	(10,177,120)	21,190,000
					5,645,000	(275,000)	5,584,800	49,850,000	60,804,800	18,025,320	(35,345,120)	43,485,000

32.SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CFSG (continued)

Notes:

(1) The number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in CFSG with effect from 4 November 2003. The exercise price per share was adjusted from HK$2.20 to HK$1.08.

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

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

(C) Share option schemes of Pricerite

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

(i) The purpose was to provide incentives to:

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

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

32.SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

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

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

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

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

32.SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

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

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

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

					Number of options									
Name of scheme	Date of grant	Exercise price per share (HK$)	Exercise period	Notes	outstanding as at 1/1/2003	adjusted on 6/5/2003	lapsed in 2003	granted in 2003	outstanding as at 31/12/2003 and 1/1/2004	adjusted on 2/3/2004	adjusted on 11/9/2004	exercised during the year	cancelled during the year	lapsed in 2004	outstanding as at 31/12/2004
Directors															
Pricerite Old Option Scheme	12/6/2001	4.200	16/6/2001-15/6/2003	(1)	21,600,000	(20,520,000)	(1,080,000)	–	–	–	–	–	–	–	–
	17/1/2002	4.200	1/2/2002-31/1/2004	(1)	59,000,000	(56,050,000)	(1,000,000)	–	1,950,000	–	–	–	–	(1,950,000)	–
Pricerite New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(2)&(3)	–	–	–	3,000,000	3,000,000	12,000,000	2,000,000	(200,000)	(5,466,666)	(11,333,334)	–
	2/12/2003	0.316	1/12/2004-30/11/2005	(2)&(3)	–	–	–	1,000,000	1,000,000	4,000,000	666,666	–	–	–	5,666,666
					80,600,000	(76,570,000)	(2,080,000)	4,000,000	5,950,000	16,000,000	2,666,666	(200,000)	(5,466,666)	(13,283,334)	5,666,666
Employees															
Pricerite Old Option Scheme	12/6/2000	6.400	13/6/2000-12/6/2003	(1)&(4)	3,519,000	(3,035,250)	(483,750)	–	–	–	–	–	–	–	–
	17/1/2002	4.200	1/2/2002-31/1/2004	(1)	42,500,000	(38,000,000)	(2,750,000)	–	1,750,000	–	–	–	–	(1,750,000)	–
Pricerite New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(2)&(3)	–	–	–	2,800,000	2,800,000	–	–	(2,800,000)	–	–	–
	2/12/2003	0.316	1/12/2004-30/11/2005	(2)&(3)	–	–	–	3,500,000	3,500,000	14,000,000	2,333,334	–	–	–	19,833,334
					46,019,000	(41,035,250)	(3,233,750)	6,300,000	8,050,000	14,000,000	2,333,334	(2,800,000)	–	(1,750,000)	19,833,334
					126,619,000	(117,605,250)	(5,313,750)	10,300,000	14,000,000	30,000,000	5,000,000	(3,000,000)	(5,466,666)	(15,033,334)	25,500,000

32. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

Notes:

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

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

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

(4) The options are vested in 3 tranches as to (i) 1/3 exercisable from the commencement of the exercise period; (ii) 1/3 exercisable from the expiry of 12 months from the commencement of the exercise period; and (iii) 1/3 exercisable from the expiry of 24 months from the commencement of the exercise period.

33. RETIREMENT BENEFITS SCHEMES

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

33.RETIREMENT BENEFITS SCHEMES (continued)

The employer's contributions to the retirement benefits schemes charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$8,052,000 (2003: HK$6,360,000) and HK$223,000 (2003: HK$828,000) respectively for the year ended 31 December 2004.

34.COMMITMENTS

(a) Interest rate swap

At 31 December 2004, the Group had an outstanding Hong Kong dollar interest rate swap agreement with a bank under which the Group agreed to pay the bank a fixed interest on the contract sum of HK$21,000,000 (2003: HK$27,000,000) as set out in the agreement. In return, the bank agreed to pay the Group an interest at HIBOR rate.

(b) Underwriting commitment

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

34.COMMITMENTS (continued)

(c) Capital commitments

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

	THE GROUP	
	2004	2003
	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
Capital expenditure commitment in respect of the acquisition of a subsidiary whose principal asset is a property in Beijing contracted for but not provided in financial statements	–	233,740
	–	233,956

(d) Forward foreign exchange contracts

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

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

34.COMMITMENTS (continued)

(e) Other commitment

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

	THE GROUP	
	2004	2003
	HK$'000	HK$'000
Contracted commitment in respect of an agency fee for the acquisition of a subsidiary whose principal asset is a property in Beijing contracted for but not provided in financial statements	**–**	5,012

35.RELATED PARTY TRANSACTIONS

The Group had the following related party transactions:

(a) During the year, the Group received interest from margin financing of approximately HK$736,000 (2003: HK$870,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(b) During the year ended 31 December 2003, 60,000,000 existing shares of HK$0.10 each held by Cash Guardian were placed to various independent investors at a price of HK$0.275 on 27 May 2003 and 60,000,000 new shares of HK$0.10 each were issued to Cash Guardian at the same price on 3 June 2003 upon completion of a top up agreement dated 22 May 2003.

36. POST BALANCE SHEET EVENTS

(a) On 23 November 2004, the Group entered into a provisional sale and purchase agreement with a third party to dispose of a residential property in Hong Kong at a consideration of HK$45,000,000. The sale was completed on 13 January 2005.

(b) On 23 March 2005, Pricerite and two subscribers entered into agreements pursuant to which the subscribers agreed to subscribe for a total of 83,000,000 new ordinary shares of HK$0.02 each at the subscription price of HK$0.28 per share. The net proceeds of approximately HK$23.2 million will be used as general working capital for Pricerite. The subscription of 83,000,000 new ordinary shares of Pricerite was completed on 6 April 2005. On 4 April 2005, Pricerite and the placing agent entered into an agreement pursuant to which Pricerite agreed to issue and the placing agent agreed to procure placees to subscribe for a maximum of 223,000,000 new ordinary shares of HK$0.02 each at the placing price of HK$0.30 per share. The net proceeds of approximately HK$65.7 million will be used for the expansion of the retail business of Pricerite in China and as general working capital for Pricerite. In order to facilitate the placing of 223,000,000 new ordinary shares of Pricerite, an ordinary resolution will be proposed at a special general meeting of Pricerite to increase the authorised share capital of Pricerite from HK$15,000,000 to HK$30,000,000 by the creation of 750,000,000 new ordinary shares of HK$0.02 each. The placing of 223,000,000 new ordinary shares of Pricerite and the proposed increase of the authorised share capital of Pricerite is subject to the approval from the shareholders of Pricerite in a special general meeting to be convened. The Company's interest in Pricerite was decreased from 66.52% to 59.17% immediately after the issue of the subscription shares by Pricerite and will be further decreased to 45.60% immediately after the issue of the placing shares by Pricerite.

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				
	2004 HK$'000	2003 HK$'000 (restated) (Note)	2002 HK$'000 (restated) (Note)	2001 HK$'000 (restated) (Note)	2000 HK$'000 (restated) (Note)
Turnover					
Continuing operations	**1,124,389**	1,033,831	1,102,628	1,004,062	411,557
Discontinued operations	**–**	–	–	–	1,131
	1,124,389	1,033,831	1,102,628	1,004,062	412,688
Loss before taxation					
Continuing operations	**(161,416)**	(50,975)	(564,598)	(437,717)	(169,430)
Discontinued operations	**–**	–	–	(43,659)	(208,014)
	(161,416)	(50,975)	(564,598)	(481,376)	(377,444)
Taxation (charge) credit	**(356)**	(134)	1,779	152	1,428
Loss after taxation	**(161,772)**	(51,109)	(562,819)	(481,224)	(376,016)
Minority interests	**17,606**	(520)	122,236	27,188	39,665
Net loss attributable to shareholders	**(144,166)**	(51,629)	(440,583)	(454,036)	(336,351)

Note: The turnover of these prior years have been adjusted to reflect the reclassification made as described in note 4 to the financial statements.

ASSETS AND LIABILITIES

	As at 31 December				
	2004 HK$'000	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000
Property and equipment	**149,120**	134,072	190,301	236,453	119,613
Investments	**10,800**	15,500	–	57,000	175,900
Investments in associates	**–**	–	–	164,466	61,155
Goodwill	**57,199**	70,808	55,260	88,604	–
Intangible assets	**9,092**	10,922	12,752	14,582	16,412
Other non-current assets	**32,680**	21,504	33,408	96,713	165,709
Current assets	**1,275,490**	1,364,515	938,554	1,254,318	1,379,629
Total assets	**1,534,381**	1,617,321	1,230,275	1,912,136	1,918,418
Current liabilities	**1,065,490**	1,135,585	781,043	813,906	603,609
Long term borrowings	**81,952**	19,626	753	749	1,627
Deferred taxation	**–**	–	–	–	–
Minority interests	**167,100**	121,210	72,674	194,910	119,942
Total liabilities and minority interests	**1,314,542**	1,276,421	854,470	1,009,565	725,178
Net assets	**219,839**	340,900	375,805	902,571	1,193,240

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 30 May 2005, 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 2004.

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

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

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

   A. **THAT**

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

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

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

(d) for the purposes of this resolution:

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

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

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

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

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

B. **THAT**

(a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the 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

(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 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 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.

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 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.

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

   THAT, with effect from the date of passing of this resolution, the share premium account of the Company as at the date of this resolution be reduced by an amount of HK$195,665,195.58 and such amount be transferred to the contributed surplus account of the Company where it may be utilised in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company as at 31 December 2004, and the Directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit or appropriate in order to effect and implement the foregoing.

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

Hong Kong, 29 April 2005

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 Dr Chan Hak Sin and Mr Leung Ka Kui Johnny, being Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 29 April 2005.

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