



CASH Financial Services Group Limited
Annual Report 2002

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Corporate Information

Board of Directors

Executive:

KWAN Pak Hoo Bankee (Chairman)
LAW Ping Wah Bernard (CFO)
LAW Ka Kin Eugene (Deputy Chairman)
WONG Kin Yick Kenneth (CEO)
MIAO Wen Hao Felix
KWOK Oi Kuen Joan Elmond

Independent Non-executive:

WONG Kwong Chi Simon
LO Kwok Hung John
CHENG Shu Shing Raymond

Principal Bankers

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

Solicitors

Richards Butler
Sidley Austin Brown & Wood

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Company Secretary

KWOK Oi Kuen Joan Elmond, ACIS

Qualified Accountant

WONG Hon Ming Wallace, AHKSA

Compliance Officer

LAW Ka Kin Eugene, BA

Audit Committee

WONG Kwong Chi Simon
LO Kwok Hung John
CHENG Shu Shing Raymond

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

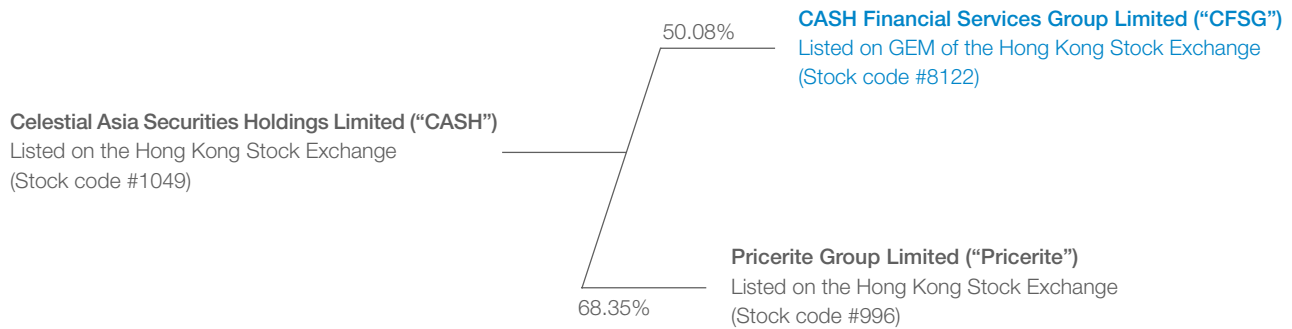
Contacts

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Website : www.cfsg.com.hk

Corporate Profile

CASH Financial Services Group is one of Hong Kong's most prominent financial services conglomerates. It operates a premier securities and commodities brokerage. Its investment banking division serves regional corporations on a broad range of corporate finance and advisory matters.

CASH family of listed companies (as at 31 December 2002)



Management Discussion and Analysis

BUSINESS REVIEW

During the first quarter of 2002, the global economy showed a brief recovery, but investment appetite continued to be weak as fallouts such as the Enron debacle and poor corporate results from last year's recession continued to undermine investors' confidence. Locally, the poor market environment in 2001 led to the consolidation of pure Internet securities brokerages beginning the first quarter of 2002.

We continued our efforts to secure our position as a multiple financial services provider and investment services house of choice. We extended our core brokerage capabilities and offerings as well as further diversified our financial services offerings.

We commenced our integration of our online and offline retail presence and extended our service coverage for our electronic trading clients by rolling out electronic trading stations into our entire traditional branch network. Simultaneously, we finalised our corporate restructuring and rationalisation effort by closing our two cyber café demonstration outlets to reduce overlap in our geographic network coverage.

The local stock market staged a brief rebound at the beginning of 2002, stimulated in part by a price surge in technology-related shares in US. However, by the second quarter, market sentiments were weighed down by concern over rising unemployment and an uncertain business outlook. Consumer spending remained subdued, amidst record high unemployment rate and wage restraint. Investment sentiments, with concerns about job security, income uncertainty and protracted weakness in the asset markets, continued to be subdued. The global and regional economic environment also remained severe and indeterminate during the first half of 2002.

With China's accession into WTO, we focused significant efforts during the year to develop our expertise and business reach within the Mainland. Our Mainland reach together with the teams under development in our Shanghai liaison office will spearhead our Mainland business strategy.

The austere global and regional economic environment and local market uncertainties continued unabated throughout the second half of 2002.

As the weak investment sentiments prolonged throughout, the Group faced difficult market conditions throughout the year. The subsequent weak consumer sentiments were further aggravated by the persistent sluggish property market and stock market. As a result, out of prudence, we made a provision for doubtful receivables from our accounts receivable amounting to HK\$63.7 million.

Management Discussion and Analysis

Serving clients with new products

In January 2002, the Group successfully developed the requisite systems and gained approval from the Stock Exchange to act as a market maker for warrants trading. As a result, we became a designated market maker for premier partners such as KBC. By forming the partnership with these warrant specialists, we actively participated in the market of this new Stock Exchange product with great success.

We continued to develop our international trading hub through link-ups with regional and international brokerage partners. We further broadened the market coverage for securities trading services to stocks listed in Taiwan, Korea, Singapore and London, albeit only via traditional channels initially, upgrading the futures and options trading platform to extend trading services of futures and options products in eight overseas markets.

Through the new partnerships, we offered fixed-income trading services that cover a wide range of bonds including US government treasury bonds, perpetual corporate bonds, and Hong Kong and US corporate bonds. Complemented by the link-ups to the market information of bond trading with the CASH on-line website, our investors were able to capture concrete and timely information through our platform.

The launch of our international commodities electronic trading platform in the third quarter represented a further step towards our Group's development to become an international trading hub through link-ups with regional and international brokerage partners.

We are the first to provide an electronic channel for international commodities trading in Hong Kong. The development of the platform is consistent with our aim to become the financial services house of choice for our clients. We extend our capabilities of technological advancement on financial services by providing our investors with a more convenient and flexible way of trading, and a comprehensive range of financial products and services, to fit their investment and wealth management needs.

Our new trading platform enables investors to trade existing futures and options products provided by the Hong Kong exchanges, as well as facilitates commodities trading services covering futures and options products of 12 overseas markets, including US, Germany, UK, France, Singapore, Korea and Australia, etc.

New face

To pave way for the increasing role Mainland investors would play in the Hong Kong market, the Group revamped the CASH on-line website that was completed in May 2002. Through the revamp of the website, we developed a simplified Chinese version of *www.cashon-line.com* and our electronic trading platform.

Management Discussion and Analysis

APICTA: the fruit of our endeavours

In September, we were awarded the prestigious Asia Pacific ICT Awards (“APICTA”) under the e-commerce category for our electronic trading platform. The award was bestowed upon us after thorough review on entries from all over the Asia Pacific region. As our electronic trading platform is one of the vital elements supporting our business success and service offering, the receipt of the award further acknowledged the standards of our electronic trading platform and hence our quality of service.

Cost control measures

We have maintained over the past two years the importance of preserving our financial strength in light of the challenging global and local economic environment. Our focus has been consistently on maintaining cost leadership and our capital strength. Due to the poor market environment, we during the year had to conduct further rounds of rationalisation in our staffing amounting to around 32% of our total headcount of the prior year. The rationalisation that took place was unfortunate but necessary for the Group to weather the prevalent market conditions and forthcoming challenges.

It is again the very same principle of capital strength preservation that we opted to refrain from renewing the lease for some of our branches. Under such difficult market conditions, we see little possibility for such branches to achieve profitability.

We will continue to review closely the market developments and continue our policy and dedication to be a secure and credible financial institution for our clients to entrust with their investment needs and our partners to work with.

OUTLOOK

We are currently weathering a global recession. Hong Kong, as an international financial centre, is suffering from a similar crisis of confidence as in markets elsewhere. In particular, with our close link to the US market, we are certain that the financial services industry here will be hard hit. We do not anticipate any significant improvement in our business environment in the foreseeable future. As such, we hold little expectation for improvements in our revenue picture for the first half of 2003.

Nonetheless, we remain positive over the longer term, and are confident that the rationalisation being or already put in place, would lay us on a cost and resource base that will enable us to ride out the current market doldrums.

Management Discussion and Analysis

As the landscape of the securities industry alters, catalysed by recent regulatory and market changes, apart from maintaining a highly robust and cost-effective operational structure, it is also important that we seek to revamp our business model so as to achieve the agility that is essential for business to prevail in the currently austere market environment. As such, among other rationalisation moves, we have begun to significantly consolidate our branch network, which we believe would be of diminishing value in terms of revenue generation going forward. In fact, we believe that a compact network would put us in a much better position to focus our resources to service our most valued high net worth clients with personalised professional service, improving income generation efficiency.

While we seek to become leaner, we will also continue with our strategy of diversifying revenue sources to reduce our reliance on the securities business income stream. Since embarking on the strategy a few years back, we have now achieved a core revenue mix that encompasses, on top of securities broking, commodities broking and investment banking related incomes. As the latter two revenues become increasingly significant, moderating the impact on our business from the currently sluggish market turnover in securities trading, we are continuing to broaden our core competence within the financial services domain with a view to add on to our revenue mix incomes of a higher profit margin and of a more “anti-cyclical” nature.

Progress of Attaining Business Objectives

In compliance with the rules of GEM, the following sets out a summary of the actual business progress as measured against the statement of business objectives set out in the listing prospectus of the Company dated 13 December 2000 for the period from 1 January 2002 until 31 December 2002 ("Review Period").

BUSINESS OBJECTIVES FOR THE REVIEW PERIOD AS DISCLOSED IN THE LISTING PROSPECTUS

Business development

- Launch new version of online trading
- Develop into a one-stop financial house
- Modify and enhance the merged horizontal platform for online trading and financial services

ACTUAL BUSINESS PROGRESS FOR THE REVIEW PERIOD

- Revamp of our website *www.cashon-line.com* completed in early May 2002.
- Simplified Chinese version of trading platform has been developed.
- Has been approved by the Stock Exchange to act as a market maker for warrants trading since January 2002.
- Began to offer fixed-income trading service covering a wide range of bonds including US government treasury bonds, perpetual corporate bonds, Hong Kong and US corporate bonds in the first quarter of 2002.
- Extended market coverage for securities trading services further to cover stocks listed in Taiwan, Korea, Singapore and London, and as well as other futures and options products.
- Ongoing fine tuning with no large scale revamping planned.

Progress of Attaining Business Objectives

Sales and marketing

- Fine tune electronic marketing tools to target certain specific groups of customers
- Extended service coverage for electronic trading clients by rolling out electronic trading stations into the entire traditional branch network.

Technology enhancement

- Research and evaluate 3G technology for mobile trading applications
- Continuous monitoring only. No plans to invest heavily due to global 3G development slowdown.
- Review roadmap and, if appropriate, adopt the latest technology offerings from strategic partners
- Continuous monitoring of new technologies. No major relevant technological breakthrough to be adopted.

Financial Review

For the year ended 31 December 2002, our Group recorded a 121.2% increase in turnover to HK\$196.3 million as compared with the prior year. This was mainly attributable to the consolidation of the whole year turnover of offline financial services business which was acquired in September 2001.

The continuing weak investment sentiment that plagued us since the third quarters of the year triggered us to take pre-emptive precautionary measures to keep our operating cost at a relatively low level. Subsequent to these measures, the number of our branches was reduced to 6 whereas our staff headcount were reduced by 32% at the year end. Together with further provision for doubtful debts due to deterioration of collateral, elimination of goodwill for the previously acquired offline financial services business and write-off for properties and equipment, the net loss attributable to shareholders for the year was HK\$207.2 million.

Accordingly, our Group's total shareholders' equity amounted to a deficit of HK\$28.1 million on 31 December 2002 as compared to a surplus of HK\$179.1 million at the end of the prior year. Subsequent to the balance sheet date, convertible note amounting to HK\$75 million was converted into shareholders' equity of the Company at a conversion price of HK\$3.00 per share. Accordingly, the shareholders' equity of the Company has been increased by the same amount. After the conversion, the net asset value of the Company as adjusted from the latest audited accounts has been increased to HK\$46.9 million.

On 31 December 2002, our cash and bank balances totaled HK\$362.8 million, representing a reduction of HK\$115.2 million as compared with the prior year. The reduction was primarily attributed to the repayment of bank borrowings and operating loss incurred during the year. However, the liquidity ratio remained healthy at 1.2 times on 31 December 2002 as compared to 1.3 times on 31 December 2001. The cash balances and the liquidity were maintained at healthy level at all times.

Our total bank borrowings on 31 December 2002 were HK\$99.1 million, which were drawn to finance securities margin financing to our clients. These bank borrowings were collateralised by our margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Apart from these, which were largely of a back-to-back nature, we had no other bank borrowings as at the end of the year as we exercised prudence to ensure that our financial resources would not be in any way strained.

As at 31 December 2002, the outstanding amount of convertible note was HK\$200.1 million as compared with HK\$261.0 million at the end of the prior year. The maturity date of the note was 31 December 2006, with no provision for the note holder to demand early repayment. Because the Group's total shareholders' equity showed a deficit on 31 December 2002, the gearing ratio was inapplicable in the year under review.

As of the end of the year, our Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Cash deposits of approximately HK\$0.6 million were pledged to secure general banking facilities granted to a subsidiary for a foreign exchange forward contract. Save as aforesaid, we had no other material contingent liabilities.

Our Group did not make any material acquisitions or disposals during the year ended 31 December 2002. We do not have any future plans for material investments or capital assets.

Employee Information

At 31 December 2002, the Group had 176 employees. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. We continue to organise training to employees in areas such as mandatory professional development programmes required by regulatory bodies, customer services and Putonghua training.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 43, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Group at its establishment. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group and CASH, 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, a trustee of New Asia College of The Chinese University of Hong Kong, and an honorary member of the Board of Trustees of Nanjing University, PRC. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, an advisory professor of Nanjing University, PRC, and an honorary university fellow of The Open University of Hong Kong. Mr Kwan is also a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan is also the substantial shareholder of the Company and the chairman of CASH and Pricerite.

Bernard Ping-wah LAW

CFO, 44, MBA, FCCA, FHKSA, MHKSI

Mr Bernard Law joined the Group at its establishment. Mr Law has extensive experience in financial management and accountancy. Before joining the Group and CASH, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CASH and Pricerite.

Eugene Ka-kin LAW

Deputy Chairman, 42, BA, MHKSI

Mr Eugene Law joined the Group at its establishment. Mr Law has extensive experience in stockbroking, financial research, investment advisory, strategic planning and business management. Before joining the Group and CASH, he held senior management positions in a number of regional stockbroking firms. Mr Law is also an executive director of CASH.

Kenneth Kin-yick WONG

CEO, 45, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000. 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.

Directors' Profile

Felix Wen-hao MIAO

Executive Director, 40, BSc

Mr Felix Miao joined the Group on 10 January 2000. 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, 34, MBA, BA, ACIS

Ms Joan Kwok joined the Group at its establishment and was appointed to the Board on 16 October 2001. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group and CASH, 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 CASH and Pricerite.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Simon Kwong-chi WONG

Independent Non-executive Director, 51, MBA, BSc

Mr Simon Wong joined the Independent Board on 30 October 2000. Mr Wong has extensive experience in the banking, manufacturing and direct investment industries and is an executive vice president and a director of a fund management company engaged in private equity investment in China and South East Asia. He is an executive committee member of the Young Industrialists Council Limited. Mr Wong is also a member of the Audit Committee of the Company.

John Kwok-hung LO

Independent Non-executive Director, 44, MBA, CPA, FCCA, LL.B

Mr John Lo joined the Independent Board on 11 September 2002. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. Mr Lo is also a member of the Audit Committee of the Company and an independent non-executive director of Pricerite.

Raymond Shu-shing CHENG

Independent Non-executive Director, 47

Mr Raymond Cheng joined the Independent Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. Mr Cheng 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 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activity of the Group is financial services which consists of (a) online and traditional brokerage and trading of securities, futures, commodities and options, (b) margin financing, and (c) corporate finance.

RESULTS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 26 of this Annual Report.

FINANCIAL SUMMARY

A summary of the audited results of the Group for the period from 11 November 1998 (the date of incorporation of CASH on-line Limited (formerly CASH on-line, Inc) ("COL"), the then holding company of the Group prior to the group reorganisation) to 31 December 1998 and the four financial years ended 31 December 2002 is set out on page 76 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 25 to the financial statements.

Directors' Report

CONVERTIBLE NOTE

On 28 September 2001, the Company issued a redeemable convertible note of principal amount of HK\$438,000,000 to Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of CASH, as a consideration for the acquisition of traditional financial services business. The convertible note is convertible into shares of HK\$0.10 each in the Company at the initial conversion price of HK\$0.15 per share. The convertible note bears an interest rate of 2% per annum from the date of issue to the final date of repayment on or before 31 December 2006. With effect from the close of business on 25 April 2002, the conversion price of the convertible note has been revised to HK\$3.00 per share due to share consolidation. The Company has the right to repay early part or all of the principal amount of the convertible note and has redeemed part of the convertible note of a total principal amount of HK\$177,000,000 and HK\$60,900,000 during 2001 and 2002 respectively. As at 31 December 2002, the outstanding amount of the convertible note was HK\$200,100,000.

Subsequent to the balance sheet date, convertible note amounting to HK\$75,000,000 was converted into shareholders' equity of the Company at a conversion price of HK\$3.00 per share. Accordingly, the shareholders' equity of the Company has been increased by the same amount. After the conversion, the net asset value of the Company as adjusted from the latest audited accounts has been increased to approximately HK\$46,900,000. The share capitalisation has also been disclosed under "post balance sheet event" in note 37 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 26 to the financial statements.

As at 31 December 2002, the Company had no reserves available for distribution to shareholders.

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.

Directors' Report

CONNECTED TRANSACTION

Sub-lease of office premises

On 10 December 2000, the Company entered into a sub-lease agreement with CASH as lessor whereby a sub-lease was granted to the Company for the use by the Group as office premises at several units at The Center, 99 Queen's Road Central, Hong Kong. The sub-lease covers various units within the Group's premises and different units expire on different dates up to 25 September 2002 (as revised). The different expiry dates are coterminous with the leases signed by CASH and the head landlord of those premises, who is an independent third party. The leases signed by CASH and the head landlord of all those premises had expired during the year and all the units under the leases had been surrendered to the head landlord upon expiry. The rate charged by CASH to the Company was at the same effective rental charges charged to CASH by the head landlord with reference to the floor area occupied by the Group exclusive of rates, government rent, management fee and utilities charges. In connection with the sub-lease, the Company had provided a guarantee and indemnity to the head landlord in respect of rental payments due from CASH to the head landlord in respect of payments relating to those units sub-leased by CASH to the Company. The sub-lease of office premises did not continue to constitute connected transaction of the Group upon expiry of the lease of the last unit on 25 September 2002.

The aggregate rental paid by the Company to CASH under the sub-lease was approximately HK\$4,789,000 for the year ended 31 December 2002.

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 Group had no major suppliers due to the nature of principal activities of the Group.

Directors' Report

DIRECTORS

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

Executive Directors:

Kwan Pak Hoo Bankee

Law Ping Wah Bernard

Law Ka Kin Eugene

Wong Kin Yick Kenneth

Miao Wen Hao Felix

Kwok Oi Kuen Joan Elmond

Khoo Ken Wee (resigned on 18 June 2002)

Independent Non-executive Directors:

Wong Kwong Chi Simon

Lo Kwok Hung John (appointed on 11 September 2002)

Cheng Shu Shing Raymond (appointed on 18 September 2002)

Chiang Chiu Ping Raymond (passed away on 12 August 2002)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr Lo Kwok Hung John and Mr Cheng Shu Shing Raymond shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws and as agreed among the Directors, Mr Wong Kin Yick Kenneth and Mr Miao Wen Hao Felix shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Directors' Report

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 32 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2002, the Directors' interests in and rights to subscribe for the ordinary shares of HK\$0.10 each in the Company and shares in its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

1. Interest in shares or debentures

A. The Company

Ordinary shares

| Name | Number of shares beneficially held | | Shareholding (%) |
|---------------------|---------------------------------------|----------------|---------------------|
| | | Other interest | |
| Kwan Pak Hoo Bankee | | 50,463,239* | 50.08 |

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

B. Associated corporations (within the meaning of SDI Ordinance)

(a) Ordinary shares in CASH

| Name | Number of shares beneficially held | | Shareholding (%) |
|--------------------------|---------------------------------------|----------------|---------------------|
| | Personal | Other interest | |
| Kwan Pak Hoo Bankee | – | 156,952,376* | 51.38 |
| Law Ping Wah Bernard | 5,096,200 | – | 1.67 |
| Law Ka Kin Eugene | 125,000 | – | 0.04 |
| Kwok Oi Kuen Joan Elmond | 2,700,000 | – | 0.88 |

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

Directors' Report

(b) Ordinary shares in Pricerite

| Name | Number of shares beneficially held Other interest | Shareholding (%) |
|---------------------|---|---------------------|
| Kwan Pak Hoo Bankee | 1,419,432,297* | 68.35 |

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

Save as disclosed above, as at 31 December 2002, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Rights to acquire shares or debentures

A. Rights to acquire shares in the Company

Pursuant to the share option schemes of the Company, the Directors may, at their discretion, invite participants to take up options at a total consideration of HK\$1 to subscribe for ordinary shares in the Company. Further details of the share option schemes of the Company are set out in note 31(A) to the financial statements.

Details of movements in the share options to subscribe for shares of HK\$0.10 each in the Company granted to certain Directors were as follows:

| Name | Date of grant | Number of options | | | Exercise period (Note 2) | Exercise price per share (HK\$) |
|-----------------------|---------------|--|--|---|-----------------------------|---------------------------------------|
| | | outstanding as at 1 January 2002 | adjusted on 25 April 2002 (Note 1) | outstanding as at 31 December 2002 | | |
| Law Ping Wah Bernard | 26/3/2001 | 20,000,000 | (19,000,000) | 1,000,000 | 1/10/2001 – 30/9/2004 | 2.20 |
| Law Ka Kin Eugene | 26/3/2001 | 25,000,000 | (23,750,000) | 1,250,000 | 1/10/2001 – 30/9/2004 | 2.20 |
| Wong Kin Yick Kenneth | 26/3/2001 | 20,000,000 | (19,000,000) | 1,000,000 | 1/10/2001 – 30/9/2004 | 2.20 |
| Miao Wen Hao Felix | 26/3/2001 | 15,000,000 | (14,250,000) | 750,000 | 1/10/2001 – 30/9/2004 | 2.20 |
| | | 80,000,000 | (76,000,000) | 4,000,000 | | |

Directors' Report

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002.
- (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) No options were granted, exercised, lapsed or cancelled during the year.

B. Rights to acquire shares in CASH

Pursuant to the share option schemes of CASH, its directors may, at their discretion, invite participants to take up options at a total consideration of HK\$1 to subscribe for ordinary shares in CASH. Further details of the share option schemes of CASH are set out in note 31(B) to the financial statements.

Details of movements in the share options to subscribe for shares of HK\$0.10 each in CASH granted to certain Directors of the Company were as follows:

| Name | Date of grant | Number of options | | | | outstanding as at 31 December 2002 | Exercise period | Exercise price per share (HK\$) | Notes |
|--------------------------|---------------|--|--|----------------------------|---------------------------|--|------------------------|--|-------|
| | | outstanding as at 1 January 2002 | adjusted on 25 April 2002 (Note 1) | granted during the year | lapsed during the year | | | | |
| Kwan Pak Hoo Bankee | 4/10/1999 | 40,000,000 | - | - | (40,000,000) | - | 8/4/2000 - 7/4/2002 | 0.59 | |
| | 2/5/2002 | - | - | 3,000,000 | - | 3,000,000 | 2/5/2002 - 30/4/2003 | 1.32 | |
| Law Ping Wah Bernard | 4/10/1999 | 40,000,000 | - | - | (40,000,000) | - | 8/4/2000 - 7/4/2002 | 0.59 | |
| | 2/5/2002 | - | - | 3,000,000 | - | 3,000,000 | 2/5/2002 - 30/4/2003 | 1.32 | |
| Law Ka Kin Eugene | 4/10/1999 | 3,000,000 | - | - | (3,000,000) | - | 8/4/2000 - 7/4/2002 | 0.59 | |
| | 1/6/2000 | 10,000,000 | (9,500,000) | - | (500,000) | - | 1/12/2000 - 30/11/2002 | 7.00 | |
| | 6/11/2000 | 10,000,000 | (9,500,000) | - | - | 500,000 | 16/5/2001 - 15/5/2003 | 5.40 | |
| | 2/5/2002 | - | - | 3,000,000 | - | 3,000,000 | 2/5/2002 - 30/4/2003 | 1.32 | |
| Wong Kin Yick Kenneth | 1/6/2000 | 5,000,000 | (4,750,000) | - | (250,000) | - | 1/12/2000 - 30/11/2002 | 7.00 | |
| Miao Wen Hao Felix | 10/1/2000 | 10,000,000 | (9,500,000) | - | - | 500,000 | 10/1/2001 - 9/1/2003 | 16.00 | |
| | 2/5/2002 | - | - | 500,000 | - | 500,000 | 1/11/2002 - 31/10/2003 | 1.32 | |
| Kwok Oi Kuen Joan Elmond | 4/10/1999 | 5,750,000 | - | - | (5,750,000) | - | 8/4/2000 - 7/4/2002 | 0.59 | |
| | 6/11/2000 | 15,000,000 | (14,250,000) | - | - | 750,000 | 16/5/2001 - 15/5/2003 | 5.40 | |
| | 2/5/2002 | - | - | 3,000,000 | - | 3,000,000 | 2/5/2002 - 30/4/2003 | 1.32 | |
| Khoo Ken Wee | 4/10/1999 | 20,000,000 | - | - | (20,000,000) | - | 8/4/2000 - 7/4/2002 | 0.59 | (2) |
| | | 158,750,000 | (47,500,000) | 12,500,000 | (109,500,000) | 14,250,000 | | | |

Directors' Report

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CASH for 20 shares into 1 share with effect from the close of business on 25 April 2002.
- (2) Mr Khoo Ken Wee resigned as Director of the Company during the year.

C. Rights to acquire shares in Pricerite

Pursuant to the share option schemes of Pricerite, its directors may, at their discretion, invite participants to take up options at a total consideration of HK\$1 to subscribe for ordinary shares in Pricerite. Further details of the share option schemes of Pricerite are set out in note 31(C) to the financial statements.

Details of movements in the share options to subscribe for shares of HK\$0.10 each in Pricerite granted to certain Directors of the Company were as follows:

| Name | Date of grant | Number of options | | | | Exercise period | Exercise price per share (HK\$) | Note |
|--------------------------|---------------|-------------------------|------------|--------------|---------------------------|-----------------------|---------------------------------------|------|
| | | outstanding | granted | lapsed | outstanding | | | |
| | | as at 1 January 2002 | | | as at 31 December 2002 | | | |
| Kwan Pak Hoo Bankee | 12/6/2000 | 18,000,000 | - | (18,000,000) | - | 13/6/2000 - 12/6/2002 | 0.32 | |
| | 17/1/2002 | - | 20,000,000 | - | 20,000,000 | 1/2/2002 - 31/1/2004 | 0.21 | |
| Law Ping Wah Bernard | 12/6/2001 | 7,200,000 | - | - | 7,200,000 | 16/6/2001 - 15/6/2003 | 0.21 | |
| | 17/1/2002 | - | 13,000,000 | - | 13,000,000 | 1/2/2002 - 31/1/2004 | 0.21 | |
| Kwok Oi Kuen Joan Elmond | 17/1/2002 | - | 20,000,000 | - | 20,000,000 | 1/2/2002 - 31/1/2004 | 0.21 | |
| Khoo Ken Wee | 12/6/2001 | 7,200,000 | - | (7,200,000) | - | 16/6/2001 - 15/6/2003 | 0.21 | (1) |
| | 17/1/2002 | - | 13,000,000 | (13,000,000) | - | 1/2/2002 - 31/1/2004 | 0.21 | (1) |
| | | 32,400,000 | 66,000,000 | (38,200,000) | 60,200,000 | | | |

Note:

- (1) Mr Khoo Ken Wee resigned as Director of the Company during the year.

Save as disclosed above, at no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or had exercised any such rights.

Directors' Report

SHARE OPTION SCHEMES

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 31(A) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

| Name | Number of shares | Shareholding % |
|-------------------------------|------------------|-------------------|
| Kwan Pak Hoo Bankee (Note 1) | 50,463,239 | 50.08 |
| Jeffnet Inc (Note 1) | 50,463,239 | 50.08 |
| Cash Guardian (Note 1) | 50,463,239 | 50.08 |
| CASH (Note 1) | 50,463,239 | 50.08 |
| CIGL (Note 1) | 50,463,239 | 50.08 |
| Yasumitsu Shigeta (Note 2) | 18,700,000 | 18.56 |
| Hikari Power Limited (Note 2) | 18,700,000 | 18.56 |
| Hikari Tsushin Inc (Note 2) | 18,700,000 | 18.56 |

Notes:

- (1) The shares were held by CIGL, a wholly owned subsidiary of CASH. CASH was owned as to approximately 51.38% by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). Jeffnet Inc 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. Pursuant to the SDI Ordinance, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH.
- (2) This refers to the same number of 18,700,000 shares held by Hikari Tsushin Inc. Mr Yasumitsu Shigeta, through his personal name, family members and Hikari Power Limited, a company wholly-owned by Mr Yasumitsu Shigeta, controlled more than one third of the voting power at a general meeting of members of Hikari Tsushin Inc. Mr Yasumitsu Shigeta and Hikari Power Limited were deemed to be interested in all the Shares held by Hikari Tsushin Inc pursuant to the SDI Ordinance.

Save as disclosed above, at 31 December 2002, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

Directors' Report

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), neither BNP nor its Directors or employees or associates (as referred to in note 3 to rule 6.35 of the GEM Listing Rules), had any interest in the share capital of the Company as at 31 December 2002.

Pursuant to the agreement dated 10 December 2000 entered into with the Company, BNP received fees for acting as the Company's sponsor for the period since listing of the Company until 31 December 2002. The agreement expired on 31 December 2002.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2002, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 37 to the financial statements.

BOARD PRACTICES AND PROCEDURES

The Company had complied with rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2002.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 30 October 2000 and was as at 31 December 2002 comprising Messrs Wong Kwong Chi Simon, Lo Kwok Hung John and Cheng Shu Shing Raymond, 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 four meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

Directors' Report

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, 21 March 2003

Auditors' Report

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 26 to 75 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 statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 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, 21 March 2003

Consolidated Income Statement

For the year ended 31 December 2002

| | Notes | 2002 HK\$'000 | 2001 HK\$'000 |
|---|-------|------------------|------------------|
| Turnover | 4 | 196,334 | 88,776 |
| Other revenue | | 886 | 2,928 |
| Salaries, allowances and commission | 6 | (119,499) | (52,273) |
| Other operating and administrative expenses | | (81,203) | (63,295) |
| Finance costs | 7 | (9,418) | (3,347) |
| Depreciation and amortisation | | (29,305) | (16,091) |
| Loss on disposal of property and equipment | | (5,737) | – |
| Allowance for bad and doubtful debts | | (63,726) | (5,483) |
| Cost of provision of trading platform services | | – | (9,777) |
| Impairment loss recognised in respect of goodwill | 15 | (95,534) | – |
| Loss before taxation | 8 | (207,202) | (58,562) |
| Taxation | 11 | (3) | – |
| Net loss attributable to shareholders | | (207,205) | (58,562) |
| Loss per share | 12 | | |
| – Basic | | HK\$(2.06) | HK\$(0.58) |
| – Diluted | | N/A | N/A |

Consolidated Balance Sheet

At 31 December 2002

| | Notes | 2002 HK\$'000 | 2001 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property and equipment | 13 | 48,547 | 73,839 |
| Goodwill | 15 | – | 100,629 |
| Intangible assets | 16 | 12,752 | 14,582 |
| Other assets | 17 | 14,892 | 50,250 |
| Loans receivable | 18 | 2,217 | 14,171 |
| | | 78,408 | 253,471 |
| Current assets | | | |
| Accounts receivable | 19 | 172,041 | 287,875 |
| Loans receivable | 18 | 1,200 | 17,193 |
| Prepayments, deposits and other receivables | | 12,521 | 15,687 |
| Investments | 20 | 11,528 | 616 |
| Pledged bank deposits | 21 | 611 | 1,266 |
| Bank balances – trust and segregated accounts | | 285,020 | 362,634 |
| Bank balances (general) and cash | | 77,121 | 114,048 |
| | | 560,042 | 799,319 |
| Current liabilities | | | |
| Accounts payable | 22 | 335,790 | 416,267 |
| Accrued liabilities and other payables | | 28,726 | 57,151 |
| Amounts due to fellow subsidiaries | 33(e) | 2,400 | – |
| Obligations under finance leases | | | |
| – amount due within one year | 23 | 271 | 1,988 |
| Bank borrowings | 24 | 99,064 | 134,796 |
| | | 466,251 | 610,202 |
| Net current assets | | | |
| | | 93,791 | 189,117 |
| | | 172,199 | 442,588 |

Consolidated Balance Sheet

At 31 December 2002

| | Notes | 2002 HK\$'000 | 2001 HK\$'000 |
|---|-------|------------------|------------------|
| Capital and reserves | | | |
| Share capital | 25 | 10,076 | 201,520 |
| Reserves | 26 | (38,221) | (22,460) |
| | | (28,145) | 179,060 |
| Non-current liabilities | | | |
| Obligations under finance leases | | | |
| – amount due after one year | 23 | 244 | 749 |
| Convertible note | 27 | 200,100 | 261,000 |
| Interest payable on convertible note to immediate holding company | 27 | – | 1,779 |
| | | 200,344 | 263,528 |
| | | 172,199 | 442,588 |

The financial statements on pages 26 to 75 were approved and authorised for issue by the board of Directors on 21 March 2003 and are signed on its behalf by:

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

Balance Sheet

At 31 December 2002

| | Notes | 2002 HK\$'000 | 2001 HK\$'000 |
|---|-------|------------------|------------------|
| Non-current assets | | | |
| Property and equipment | 13 | 1,042 | 2,582 |
| Investments in subsidiaries | 14 | 461,324 | 660,324 |
| | | 462,366 | 662,906 |
| Current assets | | | |
| Prepayments, deposits and other receivables | | 109 | 249 |
| Amounts due from subsidiaries | | 40,382 | 48,558 |
| Bank balances (general) | | 43 | 41 |
| | | 40,534 | 48,848 |
| Current liabilities | | | |
| Accrued charges | | 123 | 246 |
| Amounts due to subsidiaries | | 331,614 | 266,597 |
| | | 331,737 | 266,843 |
| Net current liabilities | | | |
| | | (291,203) | (217,995) |
| | | 171,163 | 444,911 |
| Capital and reserves | | | |
| Share capital | 25 | 10,076 | 201,520 |
| Reserves | 26 | (39,013) | (19,388) |
| | | (28,937) | 182,132 |
| Non-current liabilities | | | |
| Convertible note | 27 | 200,100 | 261,000 |
| Interest payable on convertible note to immediate holding company | 27 | – | 1,779 |
| | | 200,100 | 262,779 |
| | | 171,163 | 444,911 |

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

| | HK\$'000 |
|---|-----------|
| At 1 January 2001 | 237,992 |
| Expenses in connection with the acquisition of subsidiaries | (370) |
| Net loss for the year | (58,562) |
| At 31 December 2001 and at 1 January 2002 | 179,060 |
| Net loss for the year | (207,205) |
| At 31 December 2002 | (28,145) |

Consolidated Cash Flow Statement

For the year ended 31 December 2002

| | Notes | 2002 HK\$'000 | 2001 HK\$'000 (restated) |
|---|-------|------------------|--------------------------------|
| Operating activities | | | |
| Loss before taxation | | (207,202) | (58,562) |
| Adjustments for: | | | |
| Advertising and tele-communication services expense | 28 | 2,058 | – |
| Allowance for bad and doubtful debts | | 63,726 | 5,483 |
| Amortisation of goodwill | | 5,095 | 1,274 |
| Amortisation of intangible assets | | 1,830 | 457 |
| Depreciation of property and equipment | | 22,380 | 14,360 |
| Impairment loss recognised in respect of property and equipment | | – | 2,027 |
| Impairment loss recognised in respect of goodwill | | 95,534 | – |
| Interest expenses | | 9,418 | 3,347 |
| Loss on disposal of property and equipment | | 5,737 | – |
| Loss on disposal of subsidiaries | | – | 1,023 |
| Operating cash outflows before movements in working capital | | (1,424) | (30,591) |
| Decrease in loans receivable | | 5,816 | 6,886 |
| Decrease (Increase) in accounts receivable | | 74,239 | (2,768) |
| Decrease in prepayments, deposits and other receivables | | 7,366 | 26,048 |
| Increase in investments | | (10,912) | (158) |
| Decrease in bank balances – trust and segregated accounts | | 77,614 | 73,383 |
| Decrease in amounts due from fellow subsidiaries | | – | 2,235 |
| Decrease in accounts payable | | (80,477) | (146,558) |
| Decrease in accrued liabilities and other payables | | (28,425) | (5,644) |
| Increase (Decrease) in amounts due to fellow subsidiaries | | 2,400 | (1,667) |
| Net cash used in operating activities | | 46,197 | (78,834) |
| Hong Kong Profits Tax paid | | (3) | – |
| Net cash from (used in) operating activities | | 46,194 | (78,834) |
| Investing activities | | | |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | 29 | – | 11,202 |
| Disposal of subsidiaries (net of cash and cash equivalents disposed of) | 30 | – | 19,600 |
| Decrease (Increase) in pledged bank deposits | | 655 | (76) |
| Other deposits refunded (paid) | | 4,100 | (1,510) |
| Proceeds on disposal of property and equipment | | 6,892 | – |
| Purchase of property and equipment | | (9,717) | (15,028) |
| Purchase of club memberships | | – | (660) |
| Deposits for long term investments/projects received | | 25,000 | – |
| Net cash from investing activities | | 26,930 | 13,528 |

Consolidated Cash Flow Statement

For the year ended 31 December 2002

| | 2002 HK\$'000 | 2001 HK\$'000 (restated) |
|---|------------------|--------------------------------|
| Financing activities | | |
| Increase in bank overdrafts | 15,368 | 7,796 |
| (Decrease) Increase in bank loans | (51,100) | 127,000 |
| Expenses paid in connection with the acquisition of subsidiaries | – | (370) |
| Interest paid on bank borrowings | (4,284) | (1,491) |
| Interest paid on obligations under finance leases | (131) | (77) |
| Interest paid on convertible note | (6,782) | – |
| Repayments of obligations under finance leases | (2,222) | (1,105) |
| Repayments of convertible note | (60,900) | (177,000) |
| Net cash used in financing activities | (110,051) | (45,247) |
| Net decrease in cash and cash equivalents | (36,927) | (110,553) |
| Cash and cash equivalents at beginning of year | 114,048 | 224,601 |
| Cash and cash equivalents at end of year | 77,121 | 114,048 |
| Analysis of balances of cash and cash equivalents | | |
| Cash and cash equivalents as previously reported | | (20,748) |
| Effect of reclassification of bank overdrafts | | 7,796 |
| Effect of reclassification of bank loans | | 127,000 |
| Cash and cash equivalents as restated | | <u>114,048</u> |
| Being: | | |
| Bank balances and cash | 362,141 | 476,682 |
| Less: Bank borrowings – trust and segregated accounts | (285,020) | (362,634) |
| | 77,121 | <u>114,048</u> |

Notes to the Financial Statements

For the year ended 31 December 2002

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 GEM. Its intermediate holding company is CASH, a company incorporated in Bermuda with its shares being listed on the Stock Exchange and its ultimate holding company is Cash Guardian, a company incorporated in the British Virgin Islands.

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

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in changes in the format of presentations of the cash flow statement and the statement of changes in equity, and in the adoption of the following new and revised accounting policies but has had no effect on the results for the current or prior accounting years.

Cash flow statements

Under SSAP 15 (Revised) “Cash Flow Statements”, cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefits plans. Because the Group participates only in a defined contribution retirement benefits scheme, the adoption of SSAP 34 has not had any impact on the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates 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 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.

Property and equipment

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

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.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

| | |
|------------------------|--|
| Leasehold improvements | the shorter of the lease terms and 5 years |
| Furniture and fixtures | 5 years |
| Computer and equipment | 3 to 5 years |
| Motor vehicles | 3 years |

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

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.

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 income statement on a straight-line basis over the relevant lease terms.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

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

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

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

Intangible assets

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

Club memberships

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

Revenue recognition

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

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

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

Service income from the provision of electronic trading platform for trading financial products is recognised when the services are rendered.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Advertising income is recognised over the period in which the advertisement is displayed, provided that no significant obligations remain at the end of a period. Obligations typically include the guarantee of a minimum number of impressions or times that an advertisement appears in pages viewed by the users of the Group's online properties. To the extent that minimum guaranteed impressions are not met, the Group does not recognise the corresponding revenue until the guaranteed impressions are achieved.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

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

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

Retirement benefits costs

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

Notes to the Financial Statements

For the year ended 31 December 2002

4. TURNOVER

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Fees and commission income | 170,084 | 48,280 |
| Interest income | 25,652 | 12,947 |
| Profit (Loss) on trading of securities, options and futures | 598 | (758) |
| Services income | – | 28,040 |
| Advertising income | – | 267 |
| | 196,334 | 88,776 |

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

During the year ended 31 December 2001, the Group had one more operating division, the provision of electronic trading platform which provided electronic trading platform to certain companies within the financial services group acquired by the Group from its intermediate holding company in September 2001 for trading financial products. Subsequently, this division has merged with and is now included in the broking division.

Principal activities are as follows:

| | |
|-------------------|--|
| Broking | Securities, options and futures broking and trading services |
| Financing | Provision of margin financing and money lending services |
| Corporate finance | Provision of corporate finance services |

All of the activities of the Group are based in Hong Kong and all of the Group's turnover for both years are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2002

| | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Consolidated HK\$'000 |
|---------------------------------------|---------------------|-----------------------|----------------------------------|--------------------------|
| TURNOVER | | | | |
| External sales | 158,026 | 21,615 | 16,693 | 196,334 |
| RESULT | | | | |
| Segment loss | (85,350) | (107,673) | (3,484) | (196,507) |
| Other revenue | | | | 886 |
| Unallocated corporate expenses | | | | (11,581) |
| Loss before taxation | | | | (207,202) |
| Taxation | | | | (3) |
| Net loss attributable to shareholders | | | | (207,205) |

Balance sheet as at 31 December 2002

| | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|---------------------|-----------------------|----------------------------------|--------------------------|
| ASSETS | | | | |
| Segment assets | 444,686 | 143,003 | 5,490 | 593,179 |
| Unallocated corporate assets | | | | 45,271 |
| Consolidated total assets | | | | 638,450 |
| LIABILITIES | | | | |
| Segment liabilities | 499,205 | 164,105 | 885 | 664,195 |
| Unallocated corporate liabilities | | | | 2,400 |
| Consolidated total liabilities | | | | 666,595 |

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2002

| | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|--|---------------------|-----------------------|----------------------------------|-------------------------|--------------------------|
| Additions of property and equipment | – | – | – | 9,717 | 9,717 |
| Allowance for bad and doubtful debts | 12 | 63,350 | 364 | – | 63,726 |
| Amortisation of intangible assets | 1,830 | – | – | – | 1,830 |
| Amortisation of goodwill | 2,909 | 2,130 | 56 | – | 5,095 |
| Depreciation of property and equipment | 11,574 | 2,374 | 869 | 7,563 | 22,380 |
| Impairment losses recognised in income statements | 54,527 | 39,950 | 1,057 | – | 95,534 |
| Loss on disposal of property and equipment | 5,737 | – | – | – | 5,737 |

Income statement for the year ended 31 December 2001

| | Provision of electronic trading platform HK\$'000 | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Elimination HK\$'000 | Consolidated HK\$'000 |
|---------------------------------------|---|---------------------|-----------------------|----------------------------------|-------------------------|--------------------------|
| TURNOVER | | | | | | |
| External sales | 32,391 | 44,318 | 5,917 | 6,150 | – | 88,776 |
| Inter-segments sales* | – | 600 | – | – | (600) | – |
| Total turnover | 32,391 | 44,918 | 5,917 | 6,150 | (600) | 88,776 |
| RESULT | | | | | | |
| Segment (loss) profit | (45,367) | (1,092) | (5,335) | 4,203 | – | (47,591) |
| Other revenue | | | | | | 2,928 |
| Unallocated corporate expenses | | | | | | (13,899) |
| Loss before taxation | | | | | | (58,562) |
| Taxation | | | | | | – |
| Net loss attributable to shareholders | | | | | | (58,562) |

* Inter-segment sales are charged at a fee agreed between the Group companies.

Notes to the Financial Statements

For the year ended 31 December 2002

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2001

| | Provision of electronic trading platform HK\$'000 | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Consolidated HK\$'000 |
|------------------------------|---|---------------------|-----------------------|----------------------------------|--------------------------|
| ASSETS | | | | | |
| Segment assets | 42,446 | 552,394 | 404,706 | 10,709 | 1,010,255 |
| Unallocated corporate assets | | | | | 42,535 |
| Consolidated total assets | | | | | 1,052,790 |

| | Provision of electronic trading platform HK\$'000 | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Combined HK\$'000 |
|-----------------------------------|---|---------------------|-----------------------|----------------------------------|----------------------|
| LIABILITIES | | | | | |
| Segment liabilities | 12,400 | 574,121 | 281,846 | 3,883 | 872,250 |
| Unallocated corporate liabilities | | | | | 1,480 |
| Consolidated total liabilities | | | | | 873,730 |

Other information for the year ended 31 December 2001

| | Provision of electronic trading platform HK\$'000 | Broking HK\$'000 | Financing HK\$'000 | Corporate finance HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|---|---|---------------------|-----------------------|----------------------------------|-------------------------|--------------------------|
| Additions of property and equipment | 5,588 | 4,516 | 17 | – | 43,290 | 53,411 |
| Allowance for bad and doubtful debts | 408 | 358 | 4,717 | – | – | 5,483 |
| Amortisation of intangible assets | – | 457 | – | – | – | 457 |
| Depreciation of property and equipment | 10,690 | 330 | – | – | 3,340 | 14,360 |
| Impairment loss recognised in income statement | 2,027 | – | – | – | – | 2,027 |

Notes to the Financial Statements

For the year ended 31 December 2002

6. SALARIES, ALLOWANCES AND COMMISSION

| | THE GROUP | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of: | | |
| Salaries, allowances and commission | 117,923 | 49,397 |
| Contributions to retirement benefits scheme | 1,576 | 2,876 |
| | 119,499 | 52,273 |

7. FINANCE COSTS

| | THE GROUP | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Interest on: | | |
| Bank overdrafts and loans wholly repayable within five years | 4,284 | 1,491 |
| Convertible note | 5,003 | 1,779 |
| Finance leases | 131 | 77 |
| | 9,418 | 3,347 |

8. LOSS BEFORE TAXATION

| | THE GROUP | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Loss from taxation has been arrived at after charging (crediting): | | |
| Advertising and promotion expenses | 10,170 | 13,190 |
| Amortisation of goodwill (included in depreciation and amortisation) | 5,095 | 1,274 |
| Amortisation of intangible assets (included in depreciation and amortisation) | 1,830 | 457 |
| Auditors' remuneration | 850 | 1,009 |
| Depreciation of property and equipment | | |
| Owned assets | 20,920 | 13,906 |
| Leased assets | 1,460 | 454 |
| | 22,380 | 14,360 |
| Impairment loss in respect of property and equipment (included in other operating and administrative expenses) | – | 2,027 |
| Loss on disposal of subsidiaries | – | 1,023 |
| Operating lease rentals in respect of land and buildings | 19,686 | 10,772 |
| Net foreign exchange gain | (708) | (37) |

Notes to the Financial Statements

For the year ended 31 December 2002

9. DIRECTORS' REMUNERATION

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Fees: | | |
| Executive Directors | – | – |
| Independent non-executive Directors | – | – |
| Other emoluments paid to Executive Directors: | | |
| Salaries, allowances and other benefits | 4,525 | 6,560 |
| Contributions to retirement benefits scheme | 190 | 257 |
| Performance related incentive payments | 151 | 370 |
| Total remuneration | 4,866 | 7,187 |

During the year, the Executive Directors received emoluments of approximately HK\$577,000 (2001: HK\$1,596,000), HK\$1,239,000 (2001: HK\$1,533,000), HK\$623,000 (2001: HK\$1,209,000), HK\$904,000 (2001: HK\$977,000), HK\$693,000 (2001: HK\$936,000), HK\$830,000 (2001: HK\$936,000) and nil (2001: nil) respectively.

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

Notes to the Financial Statements

For the year ended 31 December 2002

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees included one (2001: four) Director of the Company, details of whom remuneration is set out in note 9 above. The details of the remuneration of the remaining four (2001: one) individuals were as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Salaries, allowances and benefits in kind | 4,382 | 300 |
| Contributions to retirement benefits scheme | 182 | 81 |
| Performance related incentive payments | 932 | 1,325 |
| | 5,496 | 1,706 |

Their emoluments were within the following band:

| | 2002 Number of employees | 2001 Number of employees |
|--------------------------------|--------------------------------|--------------------------------|
| HK\$1,000,001 to HK\$1,500,000 | 4 | 1 |

11. TAXATION

The charge in current year represents the underprovision of Hong Kong Profits Tax in prior years.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for each of the two years ended 31 December 2002.

No deferred tax asset has been recognised in the financial statements in respect of estimated tax losses available to set off future assessable profit as it is uncertain that the estimated tax losses will be utilised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 December 2002

11. TAXATION (continued)

At the balance sheet date, the components of the unprovided deferred taxation assets (liabilities) were as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Tax effect of timing difference because of: | | |
| Estimated taxation losses | 66,650 | 54,338 |
| Excess of tax allowances over depreciation | (7,842) | (6,546) |
| | 58,808 | 47,792 |

The amounts of unprovided deferred taxation credit (charge) for the year were as follows:

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Tax effect of timing difference because of: | | |
| Estimated tax losses arising | 12,312 | 23,965 |
| Excess of tax allowances over depreciation | (1,296) | (1,902) |
| | 11,016 | 22,063 |

12. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2002 together with the comparative figures for 2001 are as follows:

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| Net loss attributable to shareholders | 207,205 | 58,562 |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 100,759,408 | 100,759,408 |

The weighted average number of ordinary shares for the year ended 31 December 2001 for the purpose of basic loss per share has been adjusted for share consolidation which took effect on 26 April 2002.

No diluted loss per share for both years has been presented because the exercise prices of the Company's options and convertible note were higher than the average market price for shares for both years.

Notes to the Financial Statements

For the year ended 31 December 2002

13. PROPERTY AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Furniture and fixtures HK\$'000 | Computer and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--|---------------------------------------|--|--|-------------------------------|-------------------|
| THE GROUP | | | | | |
| COST | | | | | |
| At 1 January 2002 | 29,870 | 25,748 | 35,927 | 3,925 | 95,470 |
| Additions | 6,928 | 269 | 2,520 | – | 9,717 |
| Disposals | (5,553) | (2,499) | (14,916) | (760) | (23,728) |
| At 31 December 2002 | 31,245 | 23,518 | 23,531 | 3,165 | 81,459 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | |
| At 1 January 2002 | 3,549 | 3,077 | 14,815 | 190 | 21,631 |
| Provided for the year | 7,152 | 6,755 | 7,405 | 1,068 | 22,380 |
| Eliminated on disposals | (1,915) | (1,055) | (8,040) | (89) | (11,099) |
| At 31 December 2002 | 8,786 | 8,777 | 14,180 | 1,169 | 32,912 |
| NET BOOK VALUES | | | | | |
| At 31 December 2002 | 22,459 | 14,741 | 9,351 | 1,996 | 48,547 |
| At 31 December 2001 | 26,321 | 22,671 | 21,112 | 3,735 | 73,839 |

The net book values of furniture and fixtures of HK\$14,741,000, computer and equipment of HK\$9,351,000 and motor vehicles of HK\$1,996,000 included amounts of HK\$227,000 (2001: HK\$312,000), nil (2001: HK\$1,428,000) and HK\$1,169,000 (2001: HK\$2,764,000) respectively in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2002

13. PROPERTY AND EQUIPMENT (continued)

| | Furniture and fixtures HK\$'000 | Computer and equipment HK\$'000 | Total HK\$'000 |
|---|--|--|-------------------|
| THE COMPANY | | | |
| COST | | | |
| At 1 January 2002 and at 31 December 2002 | 140 | 4,585 | 4,725 |
| ACCUMULATED DEPRECIATION | | | |
| At 1 January 2002 | 38 | 2,105 | 2,143 |
| Provided for the year | 28 | 1,512 | 1,540 |
| At 31 December 2002 | 66 | 3,617 | 3,683 |
| NET BOOK VALUES | | | |
| At 31 December 2002 | 74 | 968 | 1,042 |
| At 31 December 2001 | 102 | 2,480 | 2,582 |

14. INVESTMENTS IN SUBSIDIARIES

| | 2002 HK\$'000 | 2001 HK\$'000 |
|----------------------------|------------------|------------------|
| Unlisted shares, at cost | 744,324 | 740,324 |
| Impairment loss recognised | (283,000) | (80,000) |
| | 461,324 | 660,324 |

Notes to the Financial Statements

For the year ended 31 December 2002

14. INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists the wholly-owned 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 | Principal activities |
|---|------------------------|---|---|
| CASH E-Trade Limited | Hong Kong | Ordinary HK\$4,000,000 | Provision of management services |
| CASH Payment Services Limited | Hong Kong | Ordinary HK\$2 | Provision of payment gateway services |
| Celestial Capital Limited | Hong Kong | Ordinary HK\$17,000,000 | Provision of corporate finance services |
| Celestial Commodities Limited | Hong Kong | Ordinary HK\$10,000,000 | Futures and options broking and trading |
| Celestial Finance Limited | Hong Kong | Ordinary HK\$30,000,002 Non-voting deferred* HK\$10,000,000 | Provision of share margin financing |
| Celestial (International) Securities & Investment Limited | Hong Kong | Ordinary HK\$2 Non-voting deferred* HK\$10,000,000 | Money lending |
| Celestial Securities Limited | Hong Kong | Ordinary HK\$50,000,000 | Securities and equity options broking and trading |

Notes to the Financial Statements

For the year ended 31 December 2002

14. INVESTMENTS IN SUBSIDIARIES (continued)

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

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

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

15. GOODWILL

| | THE GROUP HK\$'000 |
|--|-----------------------|
| <hr/> | |
| COST | |
| At 1 January 2002 and at 31 December 2002 | 101,903 |
| <hr/> | |
| AMORTISATION AND IMPAIRMENT | |
| At 1 January 2002 | 1,274 |
| Charged for the year | 5,095 |
| Impairment loss recognised in the income statement | 95,534 |
| | <hr/> |
| At 31 December 2002 | 101,903 |
| <hr/> | |
| NET BOOK VALUES | |
| At 31 December 2002 | — |
| | <hr/> |
| At 31 December 2001 | 100,629 |
| | <hr/> |

The amortisation period adopted for goodwill is 20 years.

Notes to the Financial Statements

For the year ended 31 December 2002

15. GOODWILL (continued)

Due to sluggish and uncertain local and global economic condition as well as continuous losses incurred by the financial services business, the Directors have reassessed the recoverable amount of the assets of the financial services business. The Directors, having taken into account the current economic condition and the changes in the business environment of the securities industry in Hong Kong, recognised an impairment loss of approximately HK\$95,534,000, in respect of goodwill arising from the acquisition of the financial services business.

16. INTANGIBLE ASSETS

| | THE GROUP HK\$'000 |
|---|-----------------------|
| <hr/> | |
| COST | |
| At 1 January 2002 and at 31 December 2002 | 15,039 |
| AMORTISATION | |
| At 1 January 2002 | 457 |
| Charged for the year | 1,830 |
| | <hr/> |
| At 31 December 2002 | 2,287 |
| NET BOOK VALUES | |
| At 31 December 2002 | 12,752 |
| | <hr/> |
| At 31 December 2001 | 14,582 |
| | <hr/> |

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

17. OTHER ASSETS

| | THE GROUP | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Club memberships | 1,970 | 1,970 |
| Statutory and other deposits | 5,180 | 9,280 |
| Prepayment for advertising and tele-communication services | 7,742 | – |
| Deposits for long term investments/projects | – | 39,000 |
| | <hr/> | <hr/> |
| | 14,892 | 50,250 |
| | <hr/> | <hr/> |

Notes to the Financial Statements

For the year ended 31 December 2002

18. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

| | THE GROUP | |
|--------------------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Matured within 180 days | 600 | 15,493 |
| Matured between 181 days to 365 days | 600 | 1,700 |
| Matured within one year | 1,200 | 17,193 |
| Matured over one year | 2,217 | 14,171 |
| | 3,417 | 31,364 |

19. ACCOUNTS RECEIVABLE

| | THE GROUP | |
|--|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Accounts receivable arising from the business of dealing in securities and equity options: | | |
| Clearing houses, brokers and dealers | 5,254 | 10,928 |
| Cash clients | 29,433 | 11,817 |
| Margin clients | 100,467 | 221,456 |
| Accounts receivable arising from the business of dealing in futures and options: | | |
| Clearing houses, brokers and dealers | 36,887 | 43,674 |
| | 172,041 | 287,875 |

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 above balances aged within 30 days.

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

Notes to the Financial Statements

For the year ended 31 December 2002

19. ACCOUNTS RECEIVABLE (continued)

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

| Name of company | Balance at 31.12.2002 HK\$'000 | Balance at 1.1.2002 HK\$'000 | Maximum amount outstanding during the year HK\$'000 |
|---------------------------------------|---|---------------------------------------|--|
| Cash Guardian | 8,862 | – | 28,575 |
| Suffold Resources Limited (“Suffold”) | – | 25,220 | 25,385 |
| | <u>8,862</u> | <u>25,220</u> | |

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.

20. INVESTMENTS

| | THE GROUP | | | | | |
|---|-----------------------|------------------|-------------------|------------------|------------------|------------------|
| | Investment securities | | Other investments | | Total | |
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| THE GROUP | | | | | | |
| Equity securities: | | | | | | |
| Non-current | | | | | | |
| Unlisted, at cost | 15,600 | 15,600 | – | – | 15,600 | 15,600 |
| Impairment loss recognised | (15,600) | (15,600) | – | – | (15,600) | (15,600) |
| Current | | | | | | |
| Listed in Hong Kong, at market value | – | – | 11,528 | 616 | 11,528 | 616 |
| | <u>–</u> | <u>–</u> | <u>11,528</u> | <u>616</u> | <u>11,528</u> | <u>616</u> |

Notes to the Financial Statements

For the year ended 31 December 2002

21. PLEDGED BANK DEPOSITS

The Group

At 31 December 2002, the Group's bank deposit of HK\$611,000 was pledged to secure the forward foreign exchange facilities granted by a bank.

At 31 December 2001, the Group's bank deposits of HK\$1,266,000 were pledged to secure a bank guarantee of HK\$877,000 given to the Group's landlord by a bank and to secure the forward foreign exchange facilities granted by a bank.

22. ACCOUNTS PAYABLE

| | THE GROUP | |
|---|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Accounts payable arising from the business of dealing in securities and equity options: | | |
| Cash clients | 158,188 | 243,866 |
| Margin clients | 28,053 | 52,575 |
| Accounts payable to clients arising from the business of dealing in futures and options | 149,549 | 119,826 |
| | 335,790 | 416,267 |

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

23. OBLIGATIONS UNDER FINANCE LEASES

| | THE GROUP | | | |
|--|------------------------|------------------|---|------------------|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2002 HK\$'000 | 2001 HK\$'000 | 2002 HK\$'000 | 2001 HK\$'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 272 | 2,033 | 271 | 1,988 |
| In the second to fifth year inclusive | 247 | 893 | 244 | 749 |
| | 519 | 2,926 | 515 | 2,737 |
| Less: Future finance charges | 4 | 189 | – | – |
| Present value of lease obligations | 515 | 2,737 | 515 | 2,737 |
| Less: Amount due for payment within one year | | | 271 | 1,988 |
| Amount due for payment after one year | | | 244 | 749 |

It is the Group's policy to lease 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. In previous year, an amount of HK\$599,000 was secured by a guarantee given by the Company.

24. BANK BORROWINGS

| | THE GROUP | |
|----------------------------|------------------|------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Bank overdrafts, unsecured | 2,570 | – |
| Bank overdrafts, secured | 20,594 | 7,796 |
| | 23,164 | 7,796 |
| Bank loans, secured | 75,900 | 127,000 |
| | 99,064 | 134,796 |

Notes to the Financial Statements

For the year ended 31 December 2002

24. BANK BORROWINGS (continued)

The bank borrowings bear interest at commercial rates and are repayable on demand or within one year. These borrowings are used to finance the financing business of the Group.

At 31 December 2002, the Group's bank borrowings were secured by:

- (a) corporate guarantees from the Company; and
- (b) marketable securities of the Group's clients (with client's consent).

25. SHARE CAPITAL

| | Notes | THE COMPANY | |
|---|----------------|-----------------------------|--------------------|
| | | Number of shares '000 | Amount HK\$'000 |
| Ordinary shares of HK\$0.1 each | | | |
| Authorised: | | | |
| At 1 January 2001 | | 5,000,000 | 500,000 |
| Increase during the year | (a) | 5,000,000 | 500,000 |
| At 31 December 2001 and at 1 January 2002 | | 10,000,000 | 1,000,000 |
| Reduced due to share consolidation | (b)(i) | (9,500,000) | – |
| Reduced due to capital reduction | (b)(ii) | – | (950,000) |
| Cancellation of unissued share capital | (b)(iii) | (399,240) | (39,924) |
| Increase during the year | (b)(iii) | 399,240 | 39,924 |
| At 31 December 2002 | | 500,000 | 50,000 |
| Issued and fully paid: | | | |
| At 1 January 2001 and at 1 January 2002 | | 2,015,200 | 201,520 |
| Reduced due to share consolidation | (b)(i) | (1,914,440) | – |
| Reduced due to capital reduction | (b)(ii) & (iv) | – | (191,444) |
| At 31 December 2002 | | 100,760 | 10,076 |

There was no movement in the issued share capital during 2001.

Notes to the Financial Statements

For the year ended 31 December 2002

25. SHARE CAPITAL (continued)

Notes:

(a) Increase in share capital

Pursuant to an ordinary resolution passed on 31 August 2001, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$1,000,000,000 by the creation of an additional 5,000,000,000 shares of HK\$0.10 each in the share capital of the Company. These shares rank pari passu in all respects with other shares.

(b) Share consolidation and capital reduction

Pursuant to the special resolution passed on 25 April 2002, the Company:

- (i) consolidated every 20 issued and unissued shares of HK\$0.10 each into one share of HK\$2.00 each ("Consolidated Share(s)") ("Share Consolidation");
- (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK\$1.90 on each of the Consolidated Shares in issue ("Capital Reduction");
- (iii) cancelled all of the authorised but unissued share capital and forthwith upon such cancellation, increased the authorised share capital to HK\$50,000,000 by the creation of additional new shares of HK\$0.10 each; and
- (iv) transferred the credit amount arising from the Capital Reduction of approximately HK\$191,444,000 to the contributed surplus account.

Share Consolidation and Capital Reduction took effect on 26 April 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES

| | Contributed surplus HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
|---|------------------------------------|-----------------------------------|-------------------|
| THE GROUP | | | |
| At 1 January 2001 | 210,031 | (173,559) | 36,472 |
| Expenses in connection with the acquisition of subsidiaries | (370) | – | (370) |
| Net loss for the year | – | (58,562) | (58,562) |
| At 31 December 2001 and at 1 January 2002 | 209,661 | (232,121) | (22,460) |
| Capital reduction | 191,444 | – | 191,444 |
| Amount transferred to write off accumulated losses | (111,341) | 111,341 | – |
| Net loss for the year | – | (207,205) | (207,205) |
| At 31 December 2002 | 289,764 | (327,985) | (38,221) |
| THE COMPANY | | | |
| At 1 January 2001 | 92,323 | (74,102) | 18,221 |
| Expenses in connection with the acquisition of subsidiaries | (370) | – | (370) |
| Net loss for the year | – | (37,239) | (37,239) |
| At 31 December 2001 and at 1 January 2002 | 91,953 | (111,341) | (19,388) |
| Capital reduction | 191,444 | – | 191,444 |
| Amount transferred to write off accumulated losses | (111,341) | 111,341 | – |
| Net loss for the year | – | (211,069) | (211,069) |
| At 31 December 2002 | 172,056 | (211,069) | (39,013) |

The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of COL pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of COL at the date on which the group reorganisation become effective and the nominal amount of the share capital of the Company issued pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES (continued)

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:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Pursuant to the minutes of a Directors' meeting held on 16 May 2002, an amount of approximately HK\$111,341,000 was transferred from contributed surplus account to write off the accumulated losses of the Company as at 31 December 2001.

27. CONVERTIBLE NOTE

The Group and the Company

The convertible note payable to the immediate holding company bears interest at a rate of 2% per annum and is repayable on or before 31 December 2006. The holder of the note does not have the right to demand for repayment of the amount and the accrued interest of the note, and is not entitled to vote at general meetings of the Company. The Company has the right to repay early part or all of the amount and the accrued interest of the note. In the opinion of the Directors, the amount of the note will not be repaid in full within the next twelve months.

The outstanding amount of the note can be converted into ordinary share of HK\$0.10 each in the Company at any time prior to full repayment at an initial conversion price of HK\$0.15 (subject to adjustment) per share. With effect from the close of business on 25 April 2002, the conversion price of the convertible note has been revised to HK\$3.00 (subject to adjustment) per shares due to Share Consolidation. The note is transferable with the consent of the Company.

28. MAJOR NON-CASH TRANSACTIONS

Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and tele-communication services to CASH and its subsidiaries ("CASH Group"), including the Group. The fee for these services will be used to offset the deposits which the Group paid and was previously classified as deposits for long term investments/projects in the financial statements. Thus, an amount of HK\$14 million was transferred from deposits for long term investments/projects account to prepayment for advertising and tele-communication services account. During the year, the Group utilised advertising and tele-communication services amounting to approximately HK\$2,058,000.

Notes to the Financial Statements

For the year ended 31 December 2002

28. MAJOR NON-CASH TRANSACTIONS (continued)

During the year ended 31 December 2001, the Company acquired a 100% interest in Celestial Financial Services Limited ("CFS") (formerly known as Celestial Financial Services Group Limited) at a consideration of approximately HK\$438,000,000. The consideration was satisfied by the issue of convertible note with the principal amount of HK\$438,000,000.

During the year ended 31 December 2001, the Group entered into finance leases in respect of assets with a total capital value at the inception of the finance leases of approximately HK\$1,220,000.

29. ACQUISITION OF SUBSIDIARIES

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| NET ASSETS ACQUIRED | | |
| Property and equipment | – | 37,163 |
| Intangible assets | – | 15,039 |
| Other assets | – | 46,770 |
| Loans receivable | – | 39,090 |
| Accounts receivable | – | 289,750 |
| Prepayments, deposits and other receivables | – | 30,051 |
| Investments | – | 21,109 |
| Pledged bank deposits | – | 313 |
| Bank balances (general) and cash | – | 142,175 |
| Bank balances – trust and segregate accounts | – | 436,017 |
| Accounts payable | – | (562,853) |
| Accrued liabilities and other payables | – | (24,932) |
| Obligations under finance leases | – | (2,622) |
| Bank borrowings | – | (130,973) |
| | – | 336,097 |
| Goodwill | – | 101,903 |
| | – | 438,000 |
| SATISFIED BY | | |
| Convertible note | – | 438,000 |
| NET CASH INFLOW ARISING ON ACQUISITION | | |
| Bank balances (general) and cash acquired | – | 142,175 |
| Bank borrowings acquired | – | (130,973) |
| Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries | – | 11,202 |

Notes to the Financial Statements

For the year ended 31 December 2002

29. ACQUISITION OF SUBSIDIARIES (continued)

The subsidiaries acquired during the year ended 31 December 2001 contributed approximately HK\$56,000,000 revenue and approximately HK\$6,000,000 of loss before taxation for the period between the date of acquisition and 31 December 2001.

During the period since acquisitions during the year ended 31 December 2001, the subsidiaries acquired have utilised approximately HK\$24,000,000 to the Group's net operating cash flows and utilised approximately HK\$22,000,000 for investing activities.

30. DISPOSAL OF SUBSIDIARIES

| | 2002 HK\$'000 | 2001 HK\$'000 |
|--|------------------|------------------|
| NET ASSETS DISPOSED OF | | |
| Investments in securities | – | 20,651 |
| Accounts payable | – | (28) |
| | | <hr/> |
| Loss on disposal | – | 20,623 |
| | | (1,023) |
| | | <hr/> |
| Total consideration | – | 19,600 |
| | | <hr/> |
| SATISFIED BY | | |
| Cash | – | 19,600 |
| | | <hr/> |
| NET CASH INFLOW ARISING ON DISPOSAL | | |
| Cash | – | 19,600 |
| | | <hr/> |

The subsidiaries sold during the year ended 31 December 2001 contributed HK\$30,248,000 to the Group's net operating cash outflow.

The subsidiaries disposed of during the year ended 31 December 2001 contributed HK\$28,803,000 to the Group's loss before taxation.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

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

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

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any full-time employee or executive director of any member of the Group.
- (iii) The maximum number of shares in respect of which options might be granted under the Old Option Scheme must not exceed 10% of the shares in issue as at the approval of shareholders from time to time and in any event the total maximum number of shares which might be issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of the Company from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Old Option Scheme from time to time.
- (v) No minimum period for which an option must be held before it became exercisable was required.
- (vi) The exercise period of an option granted must not be less than 3 years and beyond 14 December 2010.
- (vii) The acceptance of an option, if accepted, must be made within 3 business days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
- (viii) The exercise price of an option must be the highest of:
 - the closing price of the share on the grant date; and
 - the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

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

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

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

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

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the New Option Scheme to replace the Old Option Scheme. All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. No option was granted under the New Option Scheme since its adoption on 19 February 2002. 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, CASH and its subsidiaries ("CASH Group") and Pricerite and its subsidiaries ("Pricerite Group") (altogether "Three Groups"); or
 - attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the Three Groups.
- (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 10,075,940 shares, representing 10% of the issued share capital of the Company, as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

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

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

- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of Directors of the Company and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of Directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to the Company.
- (viii) The exercise price of an option must be the highest of:
 - the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2002

31. 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 1.1.2001 | granted in 2001 | lapsed in 2001 (Note 3) | outstanding as at 31.12.2001 and 1.1.2002 | adjusted on 25.4.2002 | lapsed in 2002 (Note 3) | outstanding as at 31.12.2002 |
| Directors | | | | | | | | | | | |
| Old Option Scheme | 26.3.2001 | 2.20 | 1.10.2001 – 30.9.2004 | (1) & (2) | - | 80,000,000 | - | 80,000,000 | (76,000,000) | - | 4,000,000 |
| Employees | | | | | | | | | | | |
| Old Option Scheme | 26.3.2001 | 2.20 | 1.10.2001 – 30.9.2004 | (1) & (2) | - | 20,000,000 | - | 20,000,000 | (19,000,000) | - | 1,000,000 |
| | 27.3.2001 | 2.20 | 1.10.2001 – 30.9.2004 | (1) & (2) | - | 26,300,000 | (2,200,000) | 24,100,000 | (21,945,000) | (1,510,000) | 645,000 |
| | | | | | - | 46,300,000 | (2,200,000) | 44,100,000 | (40,945,000) | (1,510,000) | 1,645,000 |
| | | | | | - | 126,300,000 | (2,200,000) | 124,100,000 | (116,945,000) | (1,510,000) | 5,645,000 |

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK\$0.11.
- (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 was due to 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 5,645,000 share options at 31 December 2002 would, under the present capital structure of the Company, result in the issue of 5,645,000 additional shares for a total cash consideration, before expenses, of approximately HK\$12,419,000.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH

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

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

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any employee or director of any member of CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the CASH Old Option Scheme must not exceed 10% of the issued share capital of CASH from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the CASH Old Option Scheme, must not exceed 25% of the maximum shares issuable under the CASH Old Option Scheme from time to time.
- (v) A grantee was required to hold an option for a minimum of 6 months before the option became exercisable.
- (vi) The exercise period of an option granted must not exceed a period of 3 years commencing on the expiry of the above mentioned minimum holding period or 28 March 2004, whichever is earlier.
- (vii) The acceptance of an option, if accepted, must be made within 28 business days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to CASH.
- (viii) The exercise price of an option must be the higher of:
 - a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.
- (ix) The life of the CASH Old Option Scheme was originally effective for 10 years until 28 March 2004. On 19 February 2002, the CASH Old Option Scheme was resolved by the shareholders of CASH to have been cancelled thereon. However, the options granted under the CASH Old Option Scheme are still exercisable in accordance with the terms of the CASH Old Option Scheme.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the Three Groups; or
 - attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the Three Groups.
- (iii) The maximum number of shares in respect of which options might be granted under the CASH New Option Scheme must not exceed 10% of the issued share capital of CASH as at the date of approval of the CASH New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CASH New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options canceled) under any option granted to the same participant under the CASH New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CASH and provided in the offer of grant of option.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

- (vi) The exercise period should be any period fixed by the board of directors of CASH upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to CASH.
- (viii) The exercise price of an option must be the highest of:
- the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
- (ix) The life of the CASH New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

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

| Name of scheme | Date of grant | Exercise price per share HK\$ | Exercise period | Notes | Number of options | | | | | | |
|------------------------|---------------|-------------------------------|----------------------|-----------|----------------------------|----------------|---|-----------------------|-----------------|----------------|------------------------------|
| | | | | | outstanding as at 1.1.2001 | lapsed in 2001 | outstanding as at 31.12.2001 and 1.1.2002 | adjusted on 25.4.2002 | granted in 2001 | lapsed in 2002 | outstanding as at 31.12.2002 |
| Directors | | | | | | | | | | | |
| CASH Old Option Scheme | 13.5.1999 | 0.23 | 13.5.2000-12.11.2001 | | 2,500,000 | (2,500,000) | - | - | - | - | - |
| | 4.10.1999 | 0.59 | 8.4.2000-7.4.2002 | | 100,000,000 | - | 100,000,000 | - | - | (100,000,000) | - |
| | 4.10.1999 | 0.59 | 8.4.2000-7.4.2002 | (2) | 8,750,000 | - | 8,750,000 | - | - | (8,750,000) | - |
| | 1.10.2000 | 16.00 | 10.1.2001-9.1.2003 | (1) | 10,000,000 | - | 10,000,000 | (9,500,000) | - | - | 500,000 |
| | 1.6.2000 | 7.00 | 1.12.2000-30.11.2002 | (1) & (3) | 15,000,000 | - | 15,000,000 | (14,250,000) | - | (750,000) | - |
| CASH New Option Scheme | 11.6.2000 | 5.40 | 16.5.2001-15.5.2003 | (1) & (3) | 25,000,000 | - | 25,000,000 | (23,750,000) | - | - | 1,250,000 |
| | 2.5.2002 | 1.32 | 2.5.2002-30.4.2003 | | - | - | - | - | 12,000,000 | - | 12,000,000 |
| | 2.5.2002 | 1.32 | 1.11.2002-31.10.2003 | (3) | - | - | - | - | 500,000 | - | 500,000 |
| | | | | | 161,250,000 | (2,500,000) | 158,750,000 | (47,500,000) | 12,500,000 | (109,500,000) | 14,250,000 |

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

Notes:

- (1) The number and exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of CASH for 20 shares into 1 share with effect from the close of business on 25 April 2002. The exercise price per share before share consolidation was HK\$0.80, HK\$0.35 and HK\$0.27 respectively.
- (2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; and (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.
- (3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

(C) Share option schemes of Pricerite

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

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

- (i) The purpose was to provide incentives to the participants.
- (ii) The participants included any full-time employee or executive director of any member of the Pricerite Group.
- (iii) The maximum number of shares in respect of which options may be granted under the Pricerite Old Option Scheme must not exceed 10% of the issued share capital of Pricerite from time to time.
- (iv) The maximum number of shares in respect of which options may be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Pricerite Old Option Scheme, must not exceed 25% of the maximum shares issuable under the Pricerite Old Option Scheme from time to time.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

- (v) No minimum period for which an option must be held before it became exercisable was required.
- (vi) The exercise period of an option shall be any period determined by the board of directors of Pricerite but shall not be beyond 20 January 2004.
- (vii) The acceptance of an option, if accepted, must be made within 21 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to Pricerite.
- (viii) The exercise price of an option must not be less than the higher of:
 - a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and
 - the nominal value of the share.
- (ix) The life of the Pricerite Old Option Scheme was originally effective for 10 years until 20 January 2004. On 19 February 2002, the Pricerite Old Option Scheme was resolved by the shareholders of Pricerite to have been cancelled thereon. However, the options granted under the Pricerite Old Option Scheme are still exercisable in accordance with the terms of the Pricerite Old Option Scheme.

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

Pursuant to an ordinary resolution passed at the special general meeting of Pricerite held on 19 February 2002, Pricerite adopted the Pricerite New Option Scheme to replace the Pricerite Old Option Scheme. All the options granted under the Pricerite Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Pricerite Old Option Scheme. No option was granted under the Pricerite New Option Scheme since its adoption on 19 February 2002. The major terms of the Pricerite New Option Scheme are summarised as follows:

- (i) The purpose of the Pricerite New Option Scheme was to provide incentives to:
 - award and retain the participants who have made contributions to the Three Groups; or
 - attract potential candidates to serve the Three Groups for the benefit of the development of the Three Groups.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

- (b) *Share option scheme adopted on 19 February 2002 ("Pricerite New Option Scheme") (continued)*
- (ii) The participants of the Pricerite New Option Scheme included any employee, director, consultant, adviser or agent of any member of the Pricerite Group.
 - (iii) The maximum number of shares in respect of which options might be granted under the Pricerite New Option Scheme must not exceed 10% of the issued share capital of Pricerite as at the date of approval of the Pricerite New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Pricerite New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.
 - (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Pricerite New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
 - (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.
 - (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.
 - (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 Pricerite.
 - (viii) The exercise price of an option must be the highest of:
 - the closing price of the shares on the date of grant which day must be a trading day;
 - the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
 - the nominal value of the share.
 - (ix) The life of the Pricerite New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

Notes to the Financial Statements

For the year ended 31 December 2002

31. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

| Name of scheme | Date of grant | Exercise price per share HK\$ | Exercise period | Notes | Number of options | | | | | | |
|-------------------|---------------|-------------------------------|-----------------------|-------|----------------------------|-----------------|-----------------------------|---|-----------------|----------------|------------------------------|
| | | | | | outstanding as at 1.1.2001 | granted in 2001 | adjusted due to right issue | outstanding as at 31.12.2001 and 1.1.2002 | granted in 2002 | lapsed in 2002 | outstanding as at 31.12.2002 |
| Directors | | | | | | | | | | | |
| Old Option Scheme | 12.6.2000 | 0.32 | 13.6.2000 – 12.6.2002 | (1) | 10,000,000 | - | 8,000,000 | 18,000,000 | - | (18,000,000) | - |
| | 12.6.2001 | 0.21 | 16.6.2001 – 15.6.2003 | (2) | - | 8,000,000 | 6,400,000 | 14,400,000 | - | (7,200,000) | 7,200,000 |
| | 17.1.2002 | 0.21 | 1.2.2002 – 31.1.2004 | | - | - | - | - | 66,000,000 | (13,000,000) | 53,000,000 |
| | | | | | 10,000,000 | 8,000,000 | 14,400,000 | 32,400,000 | 66,000,000 | (38,200,000) | 60,200,000 |

Notes:

- (1) The initial exercise price was HK\$0.58. On 23 November 2001, the exercise price was adjusted to HK\$0.32 due to the rights issue.
- (2) The initial exercise price was HK\$0.39. On 23 November 2001, the exercise price was adjusted to HK\$0.21 due to the rights issue.

Notes to the Financial Statements

For the year ended 31 December 2002

32. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the 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 Scheme. 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 the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the retirement benefits scheme charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK\$3,324,000 (2001: HK\$3,383,000) and HK\$1,748,000 (2001: HK\$507,000) respectively for the year ended 31 December 2002.

33. RELATED PARTY TRANSACTIONS

Apart from the convertible note as disclosed in note 27 to the financial statements, the Group had the following significant transactions with fellow subsidiaries:

- (a) During the year, the Group paid rental of approximately HK\$4,789,000 (2001: HK\$3,202,000) and HK\$2,400,000 (2001: nil) to the CASH Group and Pricerite Group respectively. The charges were calculated at the effective rate charged to the CASH Group by the head landlord with reference to the floor area occupied by the Group and at a price agreed between the Group and the Pricerite Group respectively.
- (b) The Group paid interest on convertible note of approximately HK\$5,003,000 (2001: HK\$1,779,000) to the fellow subsidiary. The interest was calculated at a rate of 2% per annum.
- (c) During the year, the Group received custodian fee income of approximately HK\$960,000 (2001: nil) from the CASH Group. The fee was charged at a price agreed between the parties.
- (d) During the year, the Group paid entertainment expenses of approximately HK\$1,609,000 (2001: nil) to the CASH Group. The charges was paid at cost.

Notes to the Financial Statements

For the year ended 31 December 2002

33. RELATED PARTY TRANSACTIONS (continued)

- (e) At 31 December 2002, the Group had an amount of approximately HK\$2,400,000 due to the Pricerite Group. The amount was unsecured, non-interest bearing and had no fixed repayment terms.
- (f) The Group received interest from margin financing of approximately HK\$1,473,000 (2001: nil) and nil (2001: HK\$495,000) from Cash Guardian and Suffold respectively, 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.
- (g) During the year ended 31 December 2001, the CASH Group had provided corporate guarantees to secure general banking facilities granted to certain subsidiaries of the Group, for which no charge is made. At 31 December 2001, the subsidiaries of the Group utilised HK\$55,774,000 of these banking facilities.
- (h) During the year ended 31 December 2001, the Group received service income of approximately HK\$23,875,000 from a former fellow subsidiary for the provision of electronic trading platform for securities dealing. The service income was equal to 100% of total brokerage commission received by the former fellow subsidiary from its clients for the execution of their securities transactions executed through the Group's electronic trading platform.
- (i) During the year ended 31 December 2001, the Group received service income of approximately HK\$4,165,000 from a former fellow subsidiary for the provision of electronic trading platform for trading futures. The service income was equal to 100% of total brokerage commission received by the former fellow subsidiary from its clients for the execution of their futures transactions executed through the Group's electronic trading platform.
- (j) During the year ended 31 December 2001, the Group paid services charges of approximately HK\$8,071,000 to a former fellow subsidiary. The charges for the year were calculated at 20% of the service income received by the Group from the former fellow subsidiary if the related former fellow subsidiary's online brokerage clients gave electronic securities dealing instructions via the internet or mobile phones, and at 50% of the service income received by the Group from the former fellow subsidiary if the former fellow subsidiary's non-online brokerage clients gave dealing instructions via the telephone lines and such orders were executed through the Group's electronic trading platform.

Notes to the Financial Statements

For the year ended 31 December 2002

33. RELATED PARTY TRANSACTIONS (continued)

- (k) During the year ended 31 December 2001, the Group paid services charge of approximately HK\$833,000 to a former fellow subsidiary. The charge was calculated at 20% of the service income received by the Group for the provision of electronic trading platform for trading futures.
- (l) During the year ended 31 December 2001, the Group paid payment gateway service fee of approximately HK\$25,000 to a former fellow subsidiary. The charge was calculated at the costs charged by the independent third party to the former fellow subsidiary.
- (m) During the year ended 31 December 2001, the Group received initial public offering handling fee income of approximately HK\$23,000 from a former fellow subsidiary. The fee was equal to 100% of total service fee received by the former fellow subsidiary from its clients.
- (n) During the year ended 31 December 2001, the Group paid management fee of approximately HK\$5,227,000 to a former fellow subsidiary. Management fee was calculated at the rates based on the general time consumed by each of the departments of the former fellow subsidiary for the Group.
- (o) During the year ended 31 December 2001, the Group received online real time quote service fee of approximately HK\$1,534,000 from a fellow subsidiary. The fee was equal to 100% of total service fee received by the fellow subsidiary from its clients for subscribing the online real time quote service.
- (p) During the year ended 31 December 2001, the Group acquired the entire interest of CFS at a consideration of HK\$438,000,000 from a fellow subsidiary pursuant to the agreement entered into between the Company and its ultimate holding company dated 28 June 2001. The consideration was satisfied by the issue of convertible note by the Company.
- (q) During the year ended 31 December 2001, the Group disposed of certain equipment at the net book value of approximately HK\$383,000 to a fellow subsidiary.

The transactions (h) to (o) do not constitute related party transactions after the Group acquired CFS on 28 September 2001 as the former fellow subsidiaries have become the subsidiaries of the Group.

Notes to the Financial Statements

For the year ended 31 December 2002

34. COMMITMENTS

(a) Other commitments

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

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---|------------------|------------------|
| Contracted commitment in respect of advertising expenditure | 3,306 | 7,391 |

(b) Forward foreign currency contract

At the balance sheet date, the Group had an outstanding forward foreign exchange contract under which the Group agreed to sell 148,000,000 (2001: 48,615,500) Japanese Yen (equivalent to HK\$9,700,000 (2001: HK\$2,972,000)) for United States dollars at the strike price of 118.55 Japanese Yen against one United States dollar.

35. OPERATING LEASE COMMITMENTS

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

| | 2002 HK\$'000 | 2001 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Within one year | 12,788 | 9,198 |
| In the second to fifth year inclusive | 9,455 | 13,720 |
| | 22,243 | 22,918 |

Operating lease payments represent rental payable by the Group for its office premises. Leases are mainly negotiated for an average term of four years and rentals are fixed for an average of three years.

36. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2002.

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2002 amounted to approximately HK\$106,233,000 (2001: HK\$136,763,000).

37. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, convertible note amounting to HK\$75,000,000 was converted into share capital of the Company at a conversion price of HK\$3.00 per share.

Financial Summary

RESULTS

| | 1.1.2002 to 31.12.2002 HK\$'000 (Note 1) | 1.1.2001 to 31.12.2001 HK\$'000 (Note 1) | 1.1.2000 to 31.12.2000 HK\$'000 (Note 1) | 1.1.1999 to 31.12.1999 HK\$'000 (Note 2) | 11.11.1998 to 31.12.1998 HK\$'000 (Note 2) |
|---------------------------------------|--|--|--|--|--|
| Turnover | 196,334 | 88,776 | 43,859 | 21,217 | – |
| Loss before taxation | (207,202) | (58,562) | (156,888) | (16,671) | – |
| Taxation | (3) | – | – | – | – |
| Net loss attributable to shareholders | (207,205) | (58,562) | (156,888) | (16,671) | – |

ASSETS AND LIABILITIES

| | As at 31 December | | |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| | 2002 HK\$'000 (Note 1) | 2001 HK\$'000 (Note 1) | 2000 HK\$'000 (Note 1) |
| Property and equipment | 48,547 | 73,839 | 36,815 |
| Goodwill | – | 100,629 | – |
| Intangible assets | 12,752 | 14,582 | – |
| Other non-current assets | 17,109 | 64,421 | 1,310 |
| Current assets | 560,042 | 799,319 | 239,397 |
| Total assets | 638,450 | 1,052,790 | 277,522 |
| Current liabilities | 466,251 | 610,202 | 39,530 |
| Long term borrowings | 244 | 749 | – |
| Convertible note | 200,100 | 261,000 | – |
| Interest payable on convertible note | – | 1,779 | – |
| Total liabilities | 666,595 | 873,730 | 39,530 |
| Net (liabilities) assets | (28,145) | 179,060 | 237,992 |

Notes:

- (1) These summarised consolidated results and assets and liabilities of the Group are extracted from the Group's audited financial statements.
- (2) The results of the Group for the period from 11 November 1998 (date of incorporation of COL, the then holding company of the Group prior to the group reorganisation) to 31 December 1998 and the year ended 31 December 1999 have been prepared on a combined basis as if the group structure immediately after the group reorganisation in December 2000 had been in existence since 11 November 1998 and have been extracted from the Company's prospectus dated 13 December 2000.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CASH Financial Services Group Limited (“Company”) will be held at Salon 4, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 5 May 2003, Monday, at 9:30 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 2002.
2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors’ remuneration.
3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:
 - A. **THAT**
 - (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this resolution:

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

1. the conclusion of the next annual general meeting of the Company;
2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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

B. THAT

- (a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Growth Enterprise Market (“GEM”) of 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 GEM 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

Notice of Annual General Meeting

(c) for the purposes of this resolution:

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

1. the conclusion of the next annual general meeting of the Company;
2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

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

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

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

Notice of Annual General Meeting

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

THAT the share premium account of the Company as of 31 March 2003 be reduced from an amount of between HK\$72,500,000 and HK\$205,284,500 by an amount of HK\$72,500,000 to an amount of between zero and HK\$132,784,500 and such amount be transferred to the contributed surplus account of the Company to set off accumulated losses of the Company as at 31 December 2002 and which resolution shall take effect from the date of passing of this resolution and the Directors of the Company be authorised generally to do all things appropriate to effect and implement any of the foregoing.

By order of the Board

Joan Elmond O K Kwok

Company Secretary

Hong Kong, 31 March 2003

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