

CASH Financial Services Group Limited
Annual Report 2003



CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

Characteristics of the growth enterprise market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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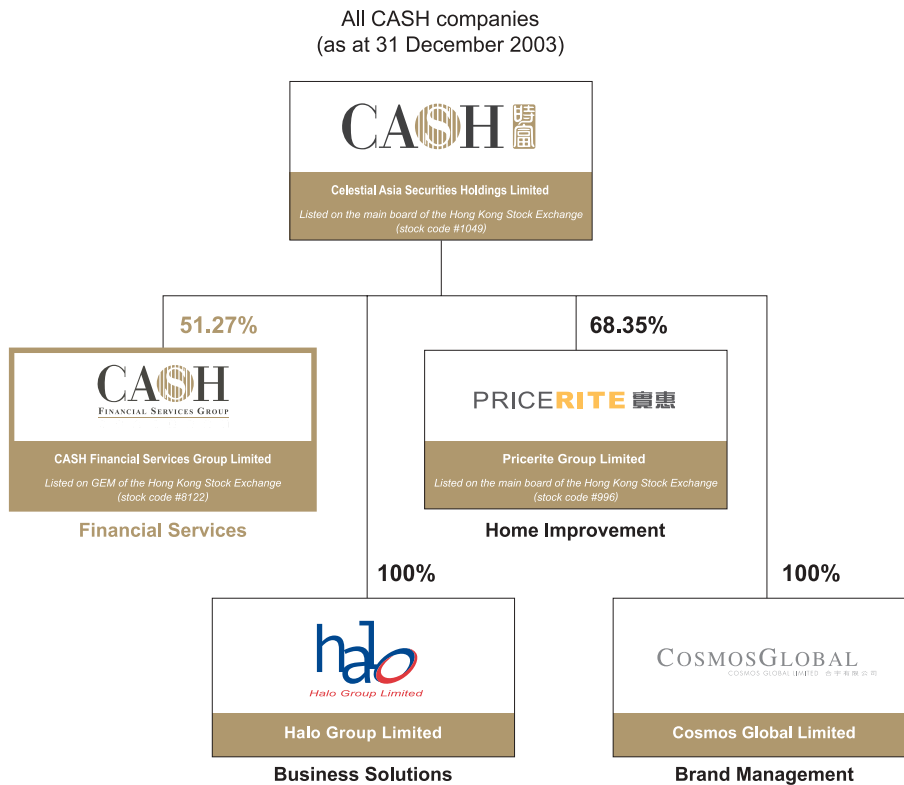
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We offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs of our clients.

Corporate Profile

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



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)
KWOK Oi Kuen Joan Elmond
MIAO Wen Hao Felix

Independent Non-executive:

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

PRINCIPAL BANKERS

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

SOLICITORS

Richards Butler
Sidley Austin Brown & Wood

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY SECRETARIES

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

QUALIFIED ACCOUNTANT

WONG Hon Ming Wallace, *AHKSA*

COMPLIANCE OFFICER

LAW Ka Kin Eugene, *BA*

AUDIT COMMITTEE

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

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

Financial Review

During the financial year under review, the Group recorded a net profit attributable to shareholders of HK\$10.7 million as compared with a loss of HK\$207.2 million in the year before. Notwithstanding an austere business environment prevailing during much of the first half of the year, and a resulting significant drop in the Group's turnover in the first half (46.7% as compared with the corresponding period in 2002), the Group has managed to turn back into positive profit territory for the full year.

The Group's turnover was maintained at HK\$186.4 million for the full year, which was 5% marginally lower than that of 2002.

As a result of successful cost rationalisation and business re-engineering, the Group managed to realise total saving in operating costs of HK\$43.8 million, reducing total operating costs by 21.8% to HK\$156.9 million. This lean and effective cost structure has enabled the Group to quickly capitalise on market recovery to achieve profitability, while well positioning it for future growth.

Our Group's total shareholders' equity amounted to HK\$117.9 million as of 31 December 2003 as compared to a deficit of HK\$28.1 million at the end of the previous year. The improvement, apart from earnings retained, was mainly attributed to the completion of a 2-for-1 rights issue in November raising a total of HK\$62.9 million and the conversion of a convertible note amounting to HK\$75.0 million into shareholders' equity at a conversion price of HK\$3.00 per share in March 2003.

On 31 December 2003, our cash and bank balances totalled HK\$440.3 million, representing an increase of HK\$77.6 million as compared with the previous year. This is a result of an increase in clients' deposits due to recovery in market confidence since the beginning of the third quarter. Our liquidity ratio on 31 December 2003 remained healthy at 1.2 times, virtually unchanged from 2002.

Our total bank borrowings on 31 December 2003 were HK\$212.4 million, which were drawn to fund securities margin financing to our clients. Most of 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 at the end of the year as we exercised prudence to ensure that our financial resources would not be in any way strained.

Together with the convertible note of HK\$125.1 million, our interest bearing borrowings to shareholders' equity were 2.9 times on 31 December 2003. Insofar as that the convertible note was a liability to our parent group with the maturity date on 31 December 2006, as well as the bank borrowings being of a back-to-back nature, our gearing was kept at a conservatively low level.

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\$0.7 million were pledged to secure general banking facilities granted to a subsidiary for bank guarantee. Save as aforesaid, we had no other material contingent liabilities.

In July, we acquired Frederick Taylor International Financial Services Limited (renamed CASH Frederick Taylor Limited). In August, we acquired Chateron Corporate Finance Limited for a consideration of HK\$7.0 million. Other than these two acquisitions, our Group did not make any material acquisitions or disposals during the year ended 31 December 2003. There was no significant investment held during the year. We do not have any future plans for material investments or capital assets.

We were among the first, both within the industry and the local economy at large, to have turned around and return to profitability since as early as when the impact of SARS began to show signs of abating.



Bankee KWAN
Chairman

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The year 2003 was certainly full of events and challenges.

The weak investment sentiment that plagued us since the year before continued into the beginning of 2003, which was further dampened by the outbreak of the Iraqi War and later on the severe acute respiratory syndromes (SARS), posing a level of unprecedented uncertainty to business operations. On the regulatory front, reforms including the abolition of minimum brokerage commissions and the implementation of the Securities and Futures Ordinance necessitated that in order to effectively compete in the new landscape, brokerage businesses must more than ever now be mindful of and strive for optimal operational efficiency.

In anticipation of changes in the market, and having prepared for austere business environment, the Group had in early 2003 continued with its business re-engineering imperatives that had begun since the year before and aimed at rationalising costs and business structures. These imperatives, culminating with the rationalisation of our branch network in February, had not only put us in good stead to weather market uncertainties, but just as important, ensured that our lean cost base would best position us to benefit from any potential market rebound.

As a result, our operating costs in 2003 were substantially reduced by 21.8%, or HK\$43.8 million, to HK\$156.9 million from 2002. As it also turned out, our continuous focus on cost leadership had paid off as we had been among the first, both within the industry and the local economy at large, to have come out of the trough of the market cycle, turning around a negative profit stream since as early as when the impact of SARS was only beginning to abate.

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

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





Our goal is to achieve further business diversification and cross-selling effectiveness with an ultimate view to create a healthy revenue mix that is less susceptible to market cycles.

Management Discussion and Analysis

Servicing Clients with Versatility

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

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

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

Kenneth WONG
CEO





As we pursue the strategy to diversify our income sources, we remain steadfast on pursuing the continuous development of our core brokerage businesses, constantly seeking to enhance service quality in order to meet the needs of our clients.

Management Discussion and Analysis

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

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





We are positive on the outlook and the profit trend going forward. While pushing ahead our expansion plan, we will remain staunch in upholding our principle of cost leadership.

Management Discussion and Analysis

Building for a Bright Future

In November 2003, with the overwhelming support from our shareholders, the Group had successfully raised over HK\$62 million of capital via a two-time over-subscribed rights issue. This tremendously successful fund raising exercise, while reflecting shareholders' confidence in the viability and growth potential of the concern, has significantly further enhanced our capital strength. This has also put us in a vantage point to benefit from a market upturn in particular in respect of our core securities brokerage business.

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

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

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

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



Management Discussion and Analysis

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

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



Employee Information

At 31 December 2003, the Group had 171 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. The total amount of remuneration cost of employees of the Group for the year under review was approximately HK\$43.4 million. We continue to organise training to employees in areas such as continuous professional training programmes required by regulatory bodies and various product knowledge training programmes.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

Chairman, 44, 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, an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary member of the Board of Trustees of Nanjing University, PRC and an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC and an advisory professor of Nanjing University, PRC. Mr Kwan is also a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan is also the substantial shareholder of the Company and the chairman of Celestial Asia Securities Holdings Limited ("CASH") and Pricerite Group Limited ("Pricerite").

Bernard Ping-wah LAW

CFO, 45, 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, 43, 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 and chief operation officer of CASH.

Kenneth Kin-yick WONG

CEO, 46, 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. Mr Wong is also a Deputy CEO of CASH in charge of its business development in the Greater China region.

Directors' Profile

Joan Elmond Oi-kuen KWOK

Executive Director, 35, MBA, BA, FCIS

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 also an executive director and the company secretary of CASH as well as the company secretary of Pricerite.

Felix Wen-hao MIAO

Executive Director, 41, 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. Mr Miao is also a Deputy CEO of CASH in charge of its business development in the international arena.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

Independent Non-executive Director, 48

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.

John Kwok-hung LO

Independent Non-executive Director, 45, 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.

Simon Kwong-chi WONG

Independent Non-executive Director, 52, 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.

Directors' Report

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group is financial services which consist of (a) online and traditional brokerage and trading of securities, futures, commodities, options as well as mutual funds and insurance-linked investment products, (b) margin financing, (c) corporate finance, and (d) other financial services.

RESULTS

The results of the Group for the year ended 31 December 2003 are set out in the consolidated income statement on page 30 of this Annual Report.

The Directors do not recommend the payment of a final dividend.

FINANCIAL SUMMARY

A summary of the audited results of the Group for the last five financial years and the assets and liabilities of the Group for the last four financial years ended 31 December 2003 is set out on page 85 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 a wholly-owned subsidiary of CASH as a consideration for the acquisition of traditional financial services business. 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. 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. 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. With effect from 4 November 2003, the conversion price of the convertible note has been further revised to HK\$1.47 per share due to rights issue of the Company. 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. In March 2003, the principal amount of convertible note of HK\$75,000,000 was converted into 25,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$3.00 per share. As at 31 December 2003, the outstanding amount of the convertible note was HK\$125,100,000.

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 2003, the reserves of the Company available for distribution to shareholders were approximately HK\$63,653,000, comprising contributed surplus of HK\$68,669,000 less accumulated losses of HK\$5,016,000, and the Company had no share premium available for distribution in the form of fully paid bonus shares.

PRE-EMPTIVE RIGHTS

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

RAISING OF FUNDS

On 29 September 2003, the Directors proposed a 2-for-1 rights issue at the subscription price of HK\$0.25 per share to raise approximately HK\$62,900,000 capital. The rights issue has been completed and 251,518,816 rights shares in the Company were duly issued and allotted on 25 November 2003.

Directors' Report

USE OF PROCEEDS FROM FUND RAISING

The funds raised during the year were mainly used to support the expanding share margin financing portfolio and facilitate correspondingly growth in securities brokerage business in line with market development and for general working capital of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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
Kwok Oi Kuen Joan Elmond
Miao Wen Hao Felix

Independent Non-executive Directors:

Cheng Shu Shing Raymond
Lo Kwok Hung John
Wong Kwong Chi Simon

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Mr Law Ka Kin Eugene and Mr Wong Kwong Chi Simon shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Report

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 32 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.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 31 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules") were as follows:

A. The Company

(a) Long positions in the shares

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

* The shares were held as to 24,564,000 shares by Cash Guardian Limited ("Cash Guardian") and as to 193,413,717 shares by Celestial Investment Group Limited ("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 Guardian and in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

Directors' Report

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

Name	Date of grant	Exercise period	Exercise price per share (note 1) (HK\$)	notes	Number of options			Percentage to issued shares as at 31 December 2003 (%)	
					outstanding as at 1 January 2003	adjusted on 4 November 2003 (note 1)	granted during the year 31 December 2003		
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.60	(7)	–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44	(7)	–	–	2,450,000	2,450,000	0.65
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Law Ka Kin Eugene	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,250,000	1,300,000	–	2,550,000	0.68
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	1,000,000	1,040,000	–	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	750,000	780,000	–	1,530,000	0.41
	3/11/2003	3/11/2003 – 31/10/2004	0.60		–	–	1,250,000	1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		–	–	2,450,000	2,450,000	0.65
					4,000,000	4,160,000	22,200,000	30,360,000	8.05

notes:

- (1) The number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in the Company with effect from 4 November 2003.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (3) The closing price of the share immediately before the date of grant of options on 3 November 2003 was HK\$0.55.
- (4) The closing price of the share immediately before the date of grant of options on 2 December 2003 was HK\$0.45.
- (5) No option was lapsed, exercised or cancelled during the year.
- (6) The fair value of the options granted by the Company to the Directors during the year totaled approximately HK\$292,530. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Schemes" below.
- (7) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

Directors' Report

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

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

note: The convertible note in the outstanding amount of HK\$125,100,000 was held by a subsidiary of CIGL, a wholly-owned subsidiary of CASH. 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.

(d) Aggregate long positions in the shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	217,977,717	88,802,040	306,779,757	81.32
Law Ping Wah Bernard	–	5,740,000	5,740,000	1.52
Law Ka Kin Eugene	–	6,250,000	6,250,000	1.66
Wong Kin Yick Kenneth	620,000	5,740,000	6,360,000	1.68
Kwok Oi Kuen Joan Elmond	–	3,700,000	3,700,000	0.98
Miao Wen Hao Felix	–	5,230,000	5,230,000	1.39
	218,597,717	115,462,040	334,059,757	88.55

Directors' Report

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	156,952,376*	42.94
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.39
Law Ka Kin Eugene	Beneficial owner	125,000	–	0.03
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.74
Cheng Shu Shing Raymond	Beneficial owner	1,000,000	–	0.27
		8,921,200	156,952,376	45.37

* 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.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options				Percentage to issued shares as at 31 December 2003 (%)
				outstanding as at 1 January 2003	granted during the year	lapsed during the year	outstanding as at 31 December 2003	
Kwan Pak Hoo Bankee	2/5/2002	2/5/2002 – 30/4/2003	1.320	3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	3,000,000	–	3,000,000	0.82
Law Ping Wah Bernard	2/5/2002	2/5/2002 – 30/4/2003	1.320	3,000,000	–	(3,000,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	3,000,000	–	3,000,000	0.82
Law Ka Kin Eugene	6/11/2000	16/5/2001 – 15/5/2003	5.400	500,000	–	(500,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320	3,000,000	–	(3,000,000)	–	–
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	1,000,000	–	1,000,000	0.27
	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	1,000,000	–	1,000,000	0.27
Kwok Oi Kuen Joan Elmond	6/11/2000	16/5/2001 – 15/5/2003	5.400	750,000	–	(750,000)	–	–
	2/5/2002	2/5/2002 – 30/4/2003	1.320	3,000,000	–	(3,000,000)	–	–
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	3,000,000	–	3,000,000	0.82
	10/1/2000	10/1/2001 – 9/1/2003	16.000	500,000	–	(500,000)	–	–
	2/5/2002	1/11/2002 – 31/10/2003	1.320	500,000	–	(500,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.502	–	1,000,000	–	1,000,000	0.27
				14,250,000	12,000,000	(14,250,000)	12,000,000	3.27

Directors' Report

(c) *Aggregate long positions in the shares and the underlying shares*

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	156,952,376	3,000,000	159,952,376	43.76
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	2.21
Law Ka Kin Eugene	125,000	1,000,000	1,125,000	0.30
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.27
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.56
Miao Wen Hao Felix	–	1,000,000	1,000,000	0.27
Cheng Shu Sing Raymond	1,000,000	–	1,000,000	0.27
	165,873,576	12,000,000	177,873,576	48.64

2. Pricerite

(a) *Long positions in the shares*

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

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

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

Name	Date of grant	Exercise period	Exercise price per share (note) (HK\$)	Number of options				Percentage to issued shares as at 31 December 2003 (%)	
				outstanding as at 1 January 2003	adjusted on 6 May 2003 (note)	lapsed during the year	granted during the year	outstanding as at 31 December 2003	issued shares as at 31 December 2003
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 - 31/1/2004	4.20	20,000,000	(19,000,000)	–	–	1,000,000	0.96
	2/12/2003	2/12/2003 - 30/11/2004	1.79	–	–	–	1,000,000	1,000,000	0.96
Law Ping Wah Bernard	12/6/2001	16/6/2001 - 15/6/2003	4.20	7,200,000	(6,840,000)	(360,000)	–	–	–
	17/1/2002	1/2/2002 - 31/1/2004	4.20	13,000,000	(12,350,000)	–	–	650,000	0.63
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 - 30/11/2004	1.79	–	–	–	1,000,000	1,000,000	0.96
	17/1/2002	1/2/2002 - 31/1/2004	4.20	20,000,000	(19,000,000)	(1,000,000)	–	–	–
Miao Wen Hao Felix	2/12/2003	1/12/2004 - 30/11/2005	1.79	–	–	–	500,000	500,000	0.48
				60,200,000	(57,190,000)	(1,360,000)	2,500,000	4,150,000	3.99

note: The number and the exercise price of options which remained outstanding on 6 May 2003 have been adjusted due to share consolidation of Pricerite for 20 shares into 1 share with effect from 6 May 2003.

Directors' Report

(c) *Aggregate long positions in the shares and the underlying shares*

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 December 2003 (%)
Kwan Pak Hoo Bankee	70,971,614	2,000,000	72,971,614	70.27
Law Ping Wah Bernard	–	1,650,000	1,650,000	1.59
Miao Wen Hao Felix	–	500,000	500,000	0.48
	70,971,614	4,150,000	75,121,614	72.34

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

SHARE OPTION SCHEMES

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 30(A) to the financial statements.

As disclosed in note 30(A) to the financial statements, the Company had granted a total number of 49,850,000 options during the year. The fair value of the said options totaled approximately HK\$785,865. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

- (i) an expected volatility of 17% and 20%;
- (ii) no annual dividends; and
- (iii) the estimated expected life of the options granted during the year is 1, 2 and 3 year(s). The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 1.14%.

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

Directors' Report

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

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

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of shares	Shareholding %
Jeffnet Inc (note 1)	Trustee of a discretionary trust	217,977,717	57.78
Cash Guardian (note 1)	Interest in a controlled corporation	217,977,717	57.78
CASH (note 1)	Interest in a controlled corporation	193,413,717	51.27
CIGL (note 1)	Beneficial owner	193,413,717	51.27
Mrs Nina Wong (note 2)	Interest in a controlled corporation	23,255,370	6.16
Hampstead Trading Limited (note 2)	Beneficial owner	21,568,000	5.72

Notes:

- (1) The shares were held as to 24,564,000 shares by Cash Guardian and as to 193,413,717 shares by CIGL (a wholly owned subsidiary of CASH). CASH was owned as to approximately 42.94% 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 SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH.
- (2) The 23,255,370 shares were held as to 21,568,000 shares by Hampstead Trading Limited and 1,687,370 shares by another company, both of which were 100% beneficially owned by Mrs Nina Wang. Mrs Wang was deemed to be interested in all these shares held by the two companies pursuant to the SFO.

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

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.

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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 2003.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 30 October 2000 and was as at 31 December 2003 comprising Messrs Cheng Shu Shing Raymond, Lo Kwok Hung John and Wong Kwong Chi Simon, 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.

AUDITORS

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

On behalf of the Board

Bankee P Kwan

Chairman

Hong Kong, 15 March 2004

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 30 to 84 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and auditors

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

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

Basis of opinion

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

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

Opinion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 15 March 2004

Consolidated Income Statement

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	4	186,431	196,334
Other operating income		10,313	886
Salaries, allowances and commission	6	(93,557)	(119,499)
Other operating and administrative expenses		(63,352)	(81,203)
Finance costs	7	(6,056)	(9,418)
Depreciation and amortisation		(20,284)	(29,305)
Loss on disposal of property and equipment		(1,364)	(5,737)
Allowance for bad and doubtful debts		(1,073)	(63,726)
Impairment loss recognised in respect of goodwill		–	(95,534)
Profit (Loss) before taxation	10	11,058	(207,202)
Taxation	11	(134)	(3)
Profit (Loss) after taxation and before minority interests		10,924	(207,205)
Minority interests		(237)	–
Net profit (loss) attributable to shareholders		10,687	(207,205)
Earnings (Loss) per share	12		
– Basic		4.8 cents	(119.0) cents
– Diluted		N/A	N/A

Consolidated Balance Sheet

At 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property and equipment	13	29,501	48,547
Goodwill	15	5,903	–
Intangible assets	16	10,922	12,752
Other assets	17	12,187	14,892
Loans receivable	18	–	2,217
		58,513	78,408
Current assets			
Accounts receivable	19	489,557	172,041
Loans receivable	18	700	1,200
Prepayments, deposits and other receivables		10,651	12,521
Amounts due from fellow subsidiaries	32(j)	1,786	–
Investments	20	47,068	11,528
Bank deposits under conditions	21	16,565	611
Bank balances – trust and segregated accounts		382,056	285,020
Bank balances (general) and cash		41,715	77,121
		990,098	560,042
Current liabilities			
Accounts payable	22	563,862	335,790
Accrued liabilities and other payables		28,529	28,726
Amounts due to fellow subsidiaries	32(j)	–	2,400
Taxation payable		234	–
Obligations under finance leases – amount due within one year	23	194	271
Bank borrowings	24	212,374	99,064
		805,193	466,251
Net current assets		184,905	93,791
		243,418	172,199

Consolidated Balance Sheet

At 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Capital and reserves			
Share capital	25	37,728	10,076
Reserves	26	80,148	(38,221)
		117,876	(28,145)
Minority interests			
		386	–
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	23	56	244
Convertible note	27	125,100	200,100
		125,156	200,344
		243,418	172,199

The financial statements on pages 30 to 84 were approved and authorised for issue by the board of Directors on 15 March 2004 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Balance Sheet

At 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property and equipment	13	87	1,042
Investments in subsidiaries	14	461,324	461,324
		461,411	462,366
Current assets			
Prepayments, deposits and other receivables		98	109
Amounts due from subsidiaries		87,349	40,382
Bank balances (general)		896	43
		88,343	40,534
Current liabilities			
Accrued liabilities and other payables		–	123
Amounts due to subsidiaries		323,273	331,614
		323,273	331,737
Net current liabilities			
		(234,930)	(291,203)
		226,481	171,163
Capital and reserves			
Share capital	25	37,728	10,076
Reserves	26	63,653	(39,013)
		101,381	(28,937)
Non-current liabilities			
Convertible note	27	125,100	200,100
		226,481	171,163

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Total equity HK\$'000
At 1 January 2002	179,060
Net loss for the year	<u>(207,205)</u>
At 31 December 2002 and 1 January 2003	(28,145)
Issue of shares due to conversion of convertible note	75,000
Issue of new shares due to rights issue	62,880
Share issue expenses	(2,546)
Net profit for the year	<u>10,687</u>
At 31 December 2003	<u><u>117,876</u></u>

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Operating activities			
Profit (Loss) before taxation		11,058	(207,202)
Adjustments for:			
Advertising and telecommunication services expenses	28	4,315	2,058
Allowance for bad and doubtful debts		1,073	63,726
Amortisation of goodwill		239	5,095
Amortisation of intangible assets		1,830	1,830
Depreciation of property and equipment		18,215	22,380
Impairment loss recognised in respect of goodwill		–	95,534
Interest expense		6,056	9,418
Loss on disposal of property and equipment		1,364	5,737
Operating cash inflows (outflows) before movements in working capital		44,150	(1,424)
Decrease in loans receivable		1,644	5,816
(Increase) Decrease in accounts receivable		(316,433)	74,239
Decrease in prepayments, deposits and other receivables		332	7,366
Increase in investments		(35,540)	(10,912)
(Increase) Decrease in bank balances – trust and segregated accounts		(97,036)	77,614
Increase in amounts due from fellow subsidiaries		(1,786)	–
Increase (Decrease) in accounts payable		228,072	(80,477)
Decrease in accrued liabilities and other payables		(5,187)	(28,425)
(Decrease) Increase in amounts due to fellow subsidiaries		(2,400)	2,400
Net cash (used in) from operating activities		(184,184)	46,197
Hong Kong Profits Tax paid		–	(3)
Net cash (used in) from operating activities		(184,184)	46,194
Investing activities			
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	29	(2,706)	–
(Increase) Decrease in bank deposits under conditions		(15,954)	655
Other deposits refunded		164	4,100
Proceeds on disposal of property and equipment		249	6,892
Purchase of property and equipment		(298)	(9,717)
Deposits for long term investments/projects received		–	25,000
Net cash (used in) from investing activities		(18,545)	26,930

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Financing activities			
Increase in bank overdrafts		2,210	15,368
Increase (Decrease) in bank loans		111,100	(51,100)
Proceeds on issue of shares		62,880	–
Share issue expenses		(2,546)	(4,284)
Interest paid on bank borrowings		(3,213)	–
Interest paid on obligations under finance leases		(12)	(131)
Interest paid on convertible note		(2,831)	(6,782)
Repayments of obligations under finance leases		(265)	(2,222)
Repayments of convertible note		–	(60,900)
Net cash from (used in) financing activities		167,323	(110,051)
Net decrease in cash and cash equivalents		(35,406)	(36,927)
Cash and cash equivalents at beginning of year		77,121	114,048
Cash and cash equivalents at end of year		41,715	77,121
Bank balances (general) and cash		41,715	77,121

Notes to the Financial Statements

For the year ended 31 December 2003

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange.

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

SSAP 12 (Revised) Income taxes

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

	As originally stated HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Deferred tax liabilities	–	(6,546)	(6,546)
Deferred tax assets	–	6,546	6,546
Total effect on retained profits	–	–	–

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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, at the following rates per annum:

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

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

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 2003

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

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

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

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange 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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

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

4. TURNOVER

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Fees and commission income	173,940	170,084
Interest income	17,162	25,652
(Loss) Profit on trading of securities, options and futures	(4,671)	598
	186,431	196,334

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.

Principal activities are as follows:

Broking	Broking of securities, options, futures as well as mutual funds and insurance-linked investment products and their 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 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2003

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
Turnover	157,973	12,946	15,512	186,431
RESULT				
Segment profit (loss)	21,998	(3,475)	(1,350)	17,173
Other operating income				10,313
Unallocated corporate expenses				(16,428)
Profit before taxation				11,058
Taxation				(134)
Profit after taxation and before minority interests				10,924

Balance sheet as at 31 December 2003

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	618,188	361,779	17,922	997,889
Unallocated corporate assets				50,722
Consolidated total assets				1,048,611
LIABILITIES				
Segment liabilities	574,224	339,188	4,810	918,222
Unallocated corporate liabilities				12,127
Consolidated total liabilities				930,349

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2003

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property and equipment	484	–	–	298	782
Allowance for bad and doubtful debts	–	1,073	–	–	1,073
Amortisation of intangible assets	1,830	–	–	–	1,830
Amortisation of goodwill	239	–	–	–	239
Depreciation of property and equipment	4,731	731	32	12,721	18,215
Loss on disposal of property and equipment	1,364	–	–	–	1,364

Income statement for the year ended 31 December 2002

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
Turnover	158,026	21,615	16,693	196,334
RESULT				
Segment loss	(85,350)	(107,673)	(3,484)	(196,507)
Other operating income				886
Unallocated corporate expenses				(11,581)
Loss before taxation				(207,202)
Taxation				(3)
Loss after taxation and before minority interests				(207,205)

Notes to the Financial Statements

For the year ended 31 December 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Balance sheet as at 31 December 2002

	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

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 statement	54,527	39,950	1,057	–	95,534
Loss on disposal of property and equipment	5,737	–	–	–	5,737

Notes to the Financial Statements

For the year ended 31 December 2003

6. SALARIES, ALLOWANCES AND COMMISSION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and commission represents the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	92,932	117,923
Contributions to retirement benefits scheme	625	1,576
	93,557	119,499

7. FINANCE COSTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	3,213	4,284
Convertible note	2,831	5,003
Finance leases	12	131
	6,056	9,418

Notes to the Financial Statements

For the year ended 31 December 2003

8. DIRECTORS' REMUNERATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Fees:		
Executive Directors	–	–
Independent non-executive Directors	300	–
Other remuneration paid to Executive Directors:		
Salaries, allowances and benefits in kind	3,049	4,525
Contributions to retirement benefits scheme	125	190
Performance related incentive payments	–	151
Total remuneration	3,474	4,866

During the year, the Executive Directors received remuneration of approximately nil (2002: HK\$577,000), HK\$976,000 (2002: HK\$1,239,000), nil (2002: HK\$623,000), HK\$882,000 (2002: HK\$904,000), HK\$590,000 (2002: HK\$693,000) and HK\$726,000 (2002: HK\$830,000) respectively.

During the year, each independent non-executive Director received a fee of HK\$100,000 (2002: nil).

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

9. EMPLOYEES' REMUNERATION

The five highest paid employees did not include any Director of the Company (2002: one). The details of the remuneration of the five (2002: four) individuals are as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Salaries, allowances and benefits in kind	6,572	4,382
Contributions to retirement benefits scheme	268	182
Performance related incentive payments	–	932
Total	6,840	5,496

Notes to the Financial Statements

For the year ended 31 December 2003

9. EMPLOYEES' REMUNERATION (continued)

Their remuneration were within the following band:

	2003 Number of employees	2002 Number of employees
HK\$1,000,001 to HK\$1,500,000	3	4
HK\$1,500,001 to HK\$2,000,000	2	–

10. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Profit (Loss) before taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	13,950	10,170
Amortisation of goodwill (included in depreciation and amortisation)	239	5,095
Amortisation of intangible assets (included in depreciation and amortisation)	1,830	1,830
Auditors' remuneration	1,200	850
Depreciation of property and equipment		
Owned assets	18,025	20,920
Leased assets	190	1,460
	18,215	22,380
Operating lease rentals in respect of land and buildings	11,527	19,686
Net foreign exchange gain	(7,385)	(708)

Notes to the Financial Statements

For the year ended 31 December 2003

11. TAXATION

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

The charge for the year ended 31 December 2002 represented the underprovision of Hong Kong Profits Tax in prior years.

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

	2003 HK\$'000	2002 HK\$'000
Profit (Loss) before taxation	11,058	(207,202)
Tax at income tax rate of 17.5% (2002: 16%)	1,935	(33,152)
Underprovision in prior years	–	3
Tax effect of tax losses not recognised	1,419	12,312
Tax effect of expenses not deductible for tax purpose	2,644	22,250
Tax effect of income not taxable for tax purpose	(482)	(1,410)
Utilisation of tax losses previously not recognised	(6,101)	–
Other difference	719	–
Tax expense for the year	134	3

Notes to the Financial Statements

For the year ended 31 December 2003

11. TAXATION (continued)

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

	Accelerated tax depreciation HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
<hr/>			
At 1 January 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised) (Note 2)	(6,546)	6,546	–
	<hr/>		
– as restated	(6,546)	6,546	–
Credit (Charge) to income statement	1,837	(1,837)	–
	<hr/>		
At 31 December 2002 and 1 January 2003	(4,709)	4,709	–
Credit (Charge) to income statement	2,402	(2,402)	–
Effect of change in tax rate	(441)	441	–
	<hr/>		
At 31 December 2003	(2,748)	2,748	–
	<hr/>		

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

At the balance sheet date, the Group has unused estimated tax losses of HK\$389,807,000 (2002: HK\$416,562,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$15,703,000 (2002: HK\$29,431,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK\$374,104,000 (2002: HK\$387,131,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2003

12. EARNINGS (LOSS) PER SHARE

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

	2003 HK\$'000	2002 HK\$'000
Earnings (Loss) for the purpose of basic and diluted earnings (loss) per share	10,687	(207,205)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	224,265,228	174,192,865
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible note	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	224,265,228	174,192,865

The weighted average number of ordinary shares for the year ended 31 December 2002 for the purposes of basic and diluted loss per share has been adjusted for rights issue which was completed on 25 November 2003.

The calculation of diluted loss per share for both years did not assume the exercise of the Company's outstanding share options and convertible note as the exercise prices of those options and convertible note were higher than the average market price of shares.

Notes to the Financial Statements

For the year ended 31 December 2003

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 2003	31,245	23,518	23,531	3,165	81,459
Additions	204	17	77	–	298
Arising on acquisition of a subsidiary	–	–	484	–	484
Disposals	(2,069)	(2,547)	–	(1,442)	(6,058)
At 31 December 2003	29,380	20,988	24,092	1,723	76,183
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2003	8,786	8,777	14,180	1,169	32,912
Provided for the year	6,991	5,815	4,633	776	18,215
Eliminated on disposals	(1,523)	(1,816)	–	(1,106)	(4,445)
At 31 December 2003	14,254	12,776	18,813	839	46,682
NET BOOK VALUES					
At 31 December 2003	15,126	8,212	5,279	884	29,501
At 31 December 2002	22,459	14,741	9,351	1,996	48,547

The net book values of furniture and fixtures of HK\$8,212,000 and motor vehicles of HK\$884,000 included amounts of HK\$142,000 (2002: HK\$227,000) and HK\$131,000 (2002: HK\$1,169,000) respectively in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 31 December 2003

13. PROPERTY AND EQUIPMENT (continued)

	Furniture and fixtures HK\$'000	Computer and equipment HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1 January 2003 and 31 December 2003	140	4,585	4,725
ACCUMULATED DEPRECIATION			
At 1 January 2003	66	3,617	3,683
Provided for the year	28	927	955
At 31 December 2003	94	4,544	4,638
NET BOOK VALUES			
At 31 December 2003	46	41	87
At 31 December 2002	74	968	1,042

14. INVESTMENTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	744,324	744,324
Impairment loss recognised	(283,000)	(283,000)
	461,324	461,324

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

Notes to the Financial Statements

For the year ended 31 December 2003

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CASH E-Trade Limited	Hong Kong	Ordinary HK\$4,000,000	100	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK\$2	100	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK\$17,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK\$10,000,000	100	Futures and options broking and trading
Celestial Finance Limited	Hong Kong	Ordinary HK\$30,000,002 Non-voting deferred* HK\$10,000,000	100	Provision of share margin financing
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK\$2	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK\$100,000,000	100	Securities, equity options broking and trading and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2003

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Chateron Corporate Finance Limited	Hong Kong	Ordinary HK\$10,000,000	100	Provision of corporate finance services
CASH Frederick Taylor Limited (formerly known as Frederick Taylor International Financial Services Limited)	Hong Kong	Ordinary HK\$1,000,000	70	Financial advisory consultancy

* 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.

Notes to the Financial Statements

For the year ended 31 December 2003

15. GOODWILL

	THE GROUP HK\$'000
<hr/>	
COST	
At 1 January 2003	101,903
Arising on acquisitions of subsidiaries	6,142
	<hr/>
At 31 December 2003	108,045
	<hr/>
AMORTISATION AND IMPAIRMENT	
At 1 January 2003	101,903
Charge for the year	239
	<hr/>
At 31 December 2003	102,142
	<hr/>
NET BOOK VALUES	
At 31 December 2003	5,903
	<hr/>
At 31 December 2002	–
	<hr/>

The amortisation period adopted for goodwill of the companies acquired during the year is 3 years.

Notes to the Financial Statements

For the year ended 31 December 2003

16. INTANGIBLE ASSETS

	THE GROUP HK\$'000
<hr/>	
COST	
At 1 January 2003 and 31 December 2003	15,039
AMORTISATION	
At 1 January 2003	2,287
Charge for the year	1,830
At 31 December 2003	4,117
NET BOOK VALUES	
At 31 December 2003	10,922
At 31 December 2002	12,752

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

17. OTHER ASSETS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Club memberships	1,970	1,970
Statutory and other deposits	5,016	5,180
Prepayment for advertising and telecommunication services	7,386	11,701
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(2,185)	(3,959)
	12,187	14,892

Notes to the Financial Statements

For the year ended 31 December 2003

18. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

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

19. ACCOUNTS RECEIVABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	93,675	5,254
Cash clients	49,975	28,699
Margin clients	285,895	100,467
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	56,045	36,887
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	2,909	–
Accounts receivable arising from the business of provision of corporate finance services	1,058	734
	489,557	172,041

Notes to the Financial Statements

For the year ended 31 December 2003

19. ACCOUNTS RECEIVABLE (continued)

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

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

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

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

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

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

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

	2003 HK\$'000	2002 HK\$'000
0-30 days	2,350	225
31-60 days	9	50
61-90 days	189	50
Over 90 days	1,419	409
	3,967	734

Notes to the Financial Statements

For the year ended 31 December 2003

20. INVESTMENTS

	Investment securities		THE GROUP Other investments		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	–	–	47,068	11,528	47,068	11,528
	–	–	47,068	11,528	47,068	11,528

21. BANK DEPOSITS UNDER CONDITIONS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Other bank deposits (note a)	15,808	–
Pledged bank deposits (note b)	757	611
	16,565	611

Notes:

- (a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15,000,000 with a bank as a condition precedent to an overdraft facility granted by the bank.
- (b) The Group's bank deposits of HK\$757,000 (2002: HK\$611,000) was pledged to secure the general banking facilities (2002: forward foreign exchange facilities) granted by a bank.

Notes to the Financial Statements

For the year ended 31 December 2003

22. ACCOUNTS PAYABLE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	373,929	158,188
Margin clients	69,289	28,053
Accounts payable to clients arising from the business of dealing in futures and options	120,644	149,549
	563,862	335,790

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 2003

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases				
Within one year	197	272	194	271
In the second to fifth year inclusive	57	247	56	244
	254	519	250	515
Less: Future finance charges	4	4	–	–
Present value of lease obligations	250	515	250	515
Less: Amount due for payment within one year			194	271
Amount due for payment after one year			56	244

The Group leased certain of its furniture and fixtures, 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.

Notes to the Financial Statements

For the year ended 31 December 2003

24. BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank overdrafts, unsecured	68	2,570
Bank overdrafts, secured	25,306	20,594
	25,374	23,164
Bank loans, secured	187,000	75,900
	212,374	99,064

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 2003, 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).

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

Notes to the Financial Statements

For the year ended 31 December 2003

25. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2002		10,000,000	1,000,000
Reduced due to share consolidation		(9,500,000)	–
Reduced due to capital reduction		–	(950,000)
Cancellation of unissued share capital		(399,240)	(39,924)
Increase during the year		399,240	39,924
		<hr/>	
At 31 December 2002 and 31 December 2003		500,000	50,000
Issued and fully paid:			
At 1 January 2002		2,015,200	201,520
Reduced due to share consolidation		(1,914,440)	–
Reduced due to capital reduction		–	(191,444)
		<hr/>	
At 31 December 2002 and 1 January 2003		100,760	10,076
Issue of shares due to conversion of convertible note	(a)	25,000	2,500
Issue of shares due to rights issue	(b)	251,519	25,152
		<hr/>	
At 31 December 2003		377,279	37,728
		<hr/>	

Notes:

(a) Conversion of convertible note

On 21 March 2003, convertible note amounting to HK\$75,000,000 was converted into 25,000,000 shares in the Company at a conversion price of HK\$3.00 per share.

(b) Rights issue

On 25 November 2003, 251,518,816 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.25 per share. The proceed before expenses, totaled approximately HK\$62,880,000 was used for expanding share margin financing portfolio and facilitated corresponding growth in its securities brokerage business in line with market development and for general working capital.

Notes to the Financial Statements

For the year ended 31 December 2003

26. RESERVES

	Notes	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
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 and 1 January 2003		–	289,764	(327,985)	(38,221)
Conversion of convertible note		72,500	–	–	72,500
Reduction of share premium transferred to contributed surplus	(a)	(72,500)	72,500	–	–
Amount transferred to write off accumulated losses	(b)	–	(211,069)	211,069	–
Issue of rights shares		37,728	–	–	37,728
Share issue expenses		–	(2,546)	–	(2,546)
Reduction of share premium transferred to contributed surplus	(c)	(37,728)	37,728	–	–
Net profit for the year		–	–	10,687	10,687
At 31 December 2003		–	186,377	(106,229)	80,148

Notes to the Financial Statements

For the year ended 31 December 2003

26. RESERVES (continued)

	Notes	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
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)
<hr/>					
At 31 December 2002 and 1 January 2003		–	172,056	(211,069)	(39,013)
Conversion of convertible note		72,500	–	–	72,500
Reduction of share premium transferred to contributed surplus	(a)	(72,500)	72,500	–	–
Amount transferred to write off accumulated losses	(b)	–	(211,069)	211,069	–
Issue of rights shares		37,728	–	–	37,728
Share issue expenses		–	(2,546)	–	(2,546)
Reduction of share premium transferred to contributed surplus	(c)	(37,728)	37,728	–	–
Net loss for the year		–	–	(5,016)	(5,016)
<hr/>					
At 31 December 2003		–	68,669	(5,016)	63,653

Notes:

- (a) Pursuant to a special resolution passed on 5 May 2003, an amount of HK\$72,500,000 was transferred from share premium account to the contributed surplus account of the Company.
- (b) Pursuant to the minutes of a directors' meeting held on 5 May 2003, an amount of approximately HK\$211,069,000 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2002.
- (c) Pursuant to a special resolution passed on 10 November 2003, with effect from 30 November 2003, an amount of approximately HK\$37,728,000 was transferred from share premium account as of 30 November 2003 to the contributed surplus account of the Company.

Notes to the Financial Statements

For the year ended 31 December 2003

26. RESERVES (continued)

- (d) 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 CASH on-line Limited ("COL"), the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.
- (e) 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, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

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

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

27. CONVERTIBLE NOTE

THE GROUP AND THE COMPANY

The convertible note payable to a fellow subsidiary of the 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. During the year, the principal amount of convertible note of HK\$75,000,000 was converted into 25,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$3.00 per share. In the opinion of the Directors, the remaining principal 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. The conversion price of the convertible note was revised to HK\$3.00 (subject to adjustment) from the close of business on 25 April 2002 due to share consolidation. With effect from 4 November 2003, the conversion price of the convertible note has been further revised to HK\$1.47 per share (subject to adjustment) due to rights issue of the Company. The note is transferable with the consent of the Company.

Notes to the Financial Statements

For the year ended 31 December 2003

28. MAJOR NON-CASH TRANSACTIONS

- (a) 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 telecommunication services to CASH and its subsidiaries, including the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised advertising and telecommunication services amounting to approximately HK\$4,315,000 (2002: HK\$2,058,000).
- (b) During the year, the principal amount of convertible note of HK\$75,000,000 was converted into 25,000,000 ordinary shares of HK\$0.10 each at a conversion price of HK\$3.00 per share.

29. ACQUISITION OF SUBSIDIARIES

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

The subsidiaries acquired during the year contributed HK\$6,510,000 to the Group's turnover, and HK\$70,000 to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31 December 2003

30. 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 2003

30. 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. 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 CASH and its subsidiaries, including the Group and Pricerite Group Limited ("Pricerite") and its subsidiaries ("Pricerite Group") (together "CASH Group"); or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.
- (iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 37,727,822 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 2003

30. 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 2003

30. 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 1/1/2002	adjusted on 25/4/2002	lapsed in 2002 (Note 6)	outstanding as at 31/12/2002 and 1/1/2003	lapsed in 2003 (Note 6)	adjusted on 4/11/2003	granted in 2003	outstanding as at 31/12/2003
Directors												
Old Option Scheme	26/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	80,000,000	(76,000,000)	-	4,000,000	-	4,160,000	-	8,160,000
New Option Scheme	3/11/2003	0.60	3/11/2003-31/10/2004	(4)	-	-	-	-	-	-	7,500,000	7,500,000
	2/12/2003	0.44	2/12/2003-30/11/2005	(5)	-	-	-	-	-	-	14,700,000	14,700,000
					80,000,000	(76,000,000)	-	4,000,000	-	4,160,000	22,200,000	30,360,000
Employees												
Old Option Scheme	26/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	20,000,000	(19,000,000)	-	1,000,000	-	1,040,000	-	2,040,000
	27/3/2001	1.08	1/10/2001-30/9/2004	(1),(2)&(3)	24,100,000	(21,945,000)	(1,510,000)	645,000	(275,000)	384,800	-	754,800
New Option Scheme	3/11/2003	0.60	3/11/2003-31/10/2004	(4)	-	-	-	-	-	-	5,000,000	5,000,000
	2/12/2003	0.44	2/12/2003-30/11/2005	(5)	-	-	-	-	-	-	4,900,000	4,900,000
	2/12/2003	0.44	1/6/2004-31/5/2006	(3)&(5)	-	-	-	-	-	-	17,750,000	17,750,000
					44,100,000	(40,945,000)	(1,510,000)	1,645,000	(275,000)	1,424,800	27,650,000	30,444,800
					124,100,000	(116,945,000)	(1,510,000)	5,645,000	(275,000)	5,584,800	49,850,000	60,804,800

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of 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 number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in the Company with effect from 4 November 2003. The exercise price per share before rights issue was HK\$2.20.
- (3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

Notes to the Financial Statements

For the year ended 31 December 2003

30. SHARE OPTION SCHEMES (continued)

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

- (4) The closing price of the share immediately before the date of grant on 3 November 2003 was HK\$0.55.
- (5) The closing price of the share immediately before the date of grant on 2 December 2003 was HK\$0.45.
- (6) The lapsed options were due to expiry or cessation of employment of participants with the Group.
- (7) No option was exercised or cancelled during the year.

The exercise in full of the outstanding 60,804,800 share options at 31 December 2003 would, under the present capital structure of the Company, result in the issue of 60,804,800 additional shares for a total cash consideration, before expenses, of approximately HK\$35,765,000.

(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.

Notes to the Financial Statements

For the year ended 31 December 2003

30. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

- (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.

(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 CASH Group; or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.

Notes to the Financial Statements

For the year ended 31 December 2003

30. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

- (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.
- (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.

Notes to the Financial Statements

For the year ended 31 December 2003

30. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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 1/1/2002	adjusted on 25/4/2002	granted in 2002	lapsed in 2002	outstanding as at 31/12/2002 and 1/1/2003	granted in 2003	lapsed in 2003	outstanding as at 31/12/2003
CASH Old Option Scheme	4/10/1999	0.590	8/4/2000-7/4/2002		100,000,000	-	-	(100,000,000)	-	-	-	-
	4/10/1999	0.590	8/4/2000-7/4/2002	(2)	8,750,000	-	-	(8,750,000)	-	-	-	-
	10/1/2000	16.000	10/1/2001-9/1/2003	(1)	10,000,000	(9,500,000)	-	-	500,000	-	(500,000)	-
	1/6/2000	7.000	1/12/2000-30/11/2002	(1)&(3)	15,000,000	(14,250,000)	-	(750,000)	-	-	-	-
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)&(3)	25,000,000	(23,750,000)	-	-	1,250,000	-	(1,250,000)	-
CASH New Option Scheme	2/5/2002	1.320	2/5/2002-30/4/2003		-	-	12,000,000	-	12,000,000	-	(12,000,000)	-
	2/5/2002	1.320	1/11/2002-31/10/2003	(3)	-	-	500,000	-	500,000	-	(500,000)	-
	2/12/2003	0.502	2/12/2003-30/11/2005		-	-	-	-	-	12,000,000	-	12,000,000
					158,750,000	(47,500,000)	12,500,000	(109,500,000)	14,250,000	12,000,000	(14,250,000)	12,000,000

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.

Notes to the Financial Statements

For the year ended 31 December 2003

30. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2003

30. 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)*

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

Notes to the Financial Statements

For the year ended 31 December 2003

30. 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)*

- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Pricerite New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (v) 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.
- (vi) 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 2003

30. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

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

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	Number of options								
					outstanding as at 1/1/2002	granted in 2002	lapsed in 2002	outstanding as at 31/12/2002 and 1/12/2003	adjusted on 2003	lapsed in 2003	granted in 2003	outstanding as at 31/12/2003	
Pricerite Old Option Scheme	12/6/2000	6.40	13/6/2000–12/6/2002	(1)	18,000,000	-	(18,000,000)	-	-	-	-	-	-
	12/6/2001	4.20	16/6/2001–15/6/2003	(2)	14,400,000	-	(7,200,000)	7,200,000	(6,840,000)	(360,000)	-	-	-
	17/1/2002	4.20	1/2/2002–31/1/2004	(2)	-	66,000,000	(13,000,000)	53,000,000	(50,350,000)	(1,000,000)	-	-	1,650,000
Pricerite New Option Scheme	2/12/2003	1.79	2/12/2003–30/11/2004		-	-	-	-	-	-	2,000,000	-	2,000,000
	2/12/2003	1.79	1/12/2004–30/11/2005		-	-	-	-	-	-	500,000	-	500,000
					32,400,000	66,000,000	(38,200,000)	60,200,000	(57,190,000)	(1,360,000)	2,500,000	-	4,150,000

Notes:

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

Notes to the Financial Statements

For the year ended 31 December 2003

31. 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\$1,453,000 (2002: HK\$3,324,000) and HK\$828,000 (2002: HK\$1,748,000) respectively for the year ended 31 December 2003.

32. 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 nil (2002: HK\$4,789,000) and approximately HK\$960,000 (2002: HK\$2,400,000) to CASH and its wholly-owned subsidiaries and the Pricerite Group respectively. The charges were calculated at the effective rate charged to the CASH and its wholly-owned subsidiaries 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) During the year, the Group received advertising income of approximately HK\$990,000 (2002: nil) from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (c) During the year, the Group sold stored-value phonecards of approximately HK\$990,000 (2002: nil) to a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (d) During the year, the Group transferred prepayment for advertising and telecommunication services of HK\$400,000 (2002: nil) to a wholly-owned subsidiary of CASH for a cash consideration of HK\$400,000.

Notes to the Financial Statements

For the year ended 31 December 2003

32. RELATED PARTY TRANSACTIONS (continued)

- (e) During the year, the Group sold a motor vehicle to the Pricerite Group at a consideration of HK\$250,000 (2002: nil). The amount was charged at a price agreed between the parties. The Group incurred a loss of approximately HK\$86,000 on the disposal of the motor vehicle.
- (f) The Group paid interest on convertible note of approximately HK\$2,831,000 (2002: HK\$5,003,000) to a wholly-owned subsidiary of CASH. The interest was calculated at a rate of 2% per annum.
- (g) During the year, the Group received placing agent commission of approximately HK\$330,000 (2002: nil) from CASH. The fee was calculated at 2% on the total proceeds from the placement received by CASH.
- (h) During the year, the Group received interest from margin financing of approximately HK\$870,000 (2002: HK\$1,473,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (i) During the year, the Group received interest from margin financing of approximately HK\$469,000 (2002: nil) from certain wholly-owned subsidiaries of CASH. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (j) At 31 December 2003, the Group had amounts of approximately HK\$1,786,000 (2002: nil) and nil (2002: HK\$2,400,000) due from CASH and its wholly-owned subsidiaries and due to the Pricerite Group respectively. The amounts were unsecured, non-interest bearing and had no fixed repayment terms.
- (k) During the year ended 31 December 2002, the Group received custodian fee income of approximately HK\$960,000 from CASH and its wholly-owned subsidiaries. The fee was charged at a price agreed between the parties.
- (l) During the year ended 31 December 2002, the Group paid entertainment expenses of approximately HK\$1,609,000 to CASH and its wholly-owned subsidiaries. The charges was paid at cost.

33. COMMITMENTS

(a) Forward foreign currency contract

At 31 December 2002, the Group had an outstanding forward foreign exchange contract under which the Group agreed to sell 148,000,000 Japanese Yen (equivalent to HK\$9,700,000) for United States dollars at the strike price of 118.55 Japanese Yen against one United States dollar.

Notes to the Financial Statements

For the year ended 31 December 2003

33. COMMITMENTS (continued)

(b) Interest rate swap

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

(c) Other commitment

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracted commitment in respect of advertising expenditure	–	3,306

34. 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:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	7,756	12,788
In the second to fifth year inclusive	6,926	9,455
	14,682	22,243

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.

Notes to the Financial Statements

For the year ended 31 December 2003

35. CONTINGENT LIABILITIES

- (a) Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a wholly owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements.
- (b) 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 2003 amounted to approximately HK\$212,306,000 (2002: HK\$106,233,000).

Financial Summary

RESULTS

	Year ended 31 December				
	2003 HK\$'000 (Note 1)	2002 HK\$'000 (Note 1)	2001 HK\$'000 (Note 1)	2000 HK\$'000 (Note 1)	1999 HK\$'000 (Note 2)
Turnover	186,431	196,334	88,776	43,859	21,217
Profit (Loss) before taxation	11,058	(207,202)	(58,562)	(156,888)	(16,671)
Taxation	(134)	(3)	–	–	–
Profit (Loss) after taxation and before minority interests	10,924	(207,205)	(58,562)	(156,888)	(16,671)
Minority interests	(237)	–	–	–	–
Net profit (loss) attributable to shareholders	10,687	(207,205)	(58,562)	(156,888)	(16,671)

ASSETS AND LIABILITIES

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property and equipment	29,501	48,547	73,839	36,815
Goodwill	5,903	–	100,629	–
Intangible assets	10,922	12,752	14,582	–
Other non-current assets	12,187	17,109	64,421	1,310
Current assets	990,098	560,042	799,319	239,397
Total assets	1,048,611	638,450	1,052,790	277,522
Current liabilities	805,193	466,251	610,202	39,530
Long term borrowings	56	244	749	–
Convertible note	125,100	200,100	261,000	–
Interest payable on convertible note	–	–	1,779	–
Minority interests	386	–	–	–
Total liabilities and minority interests	930,735	666,595	873,730	39,530
Net assets (liabilities)	117,876	(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 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 throughout the said period 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 6, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 17 May 2004, 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 2003.
2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors’ remuneration.
3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.
4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

A. **THAT**

- (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

Notice of Annual General Meeting

(d) for the purposes of this resolution:

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

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

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

B. THAT

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

Notice of Annual General Meeting

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 GEM 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.

By order of the Board

Joan Elmond O K Kwok

Company Secretary

Hong Kong, 31 March 2004

Notes:

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