

智財匯聚
時刻創富



CASH Financial Services Group Limited
2004 Annual Report

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.

Contents

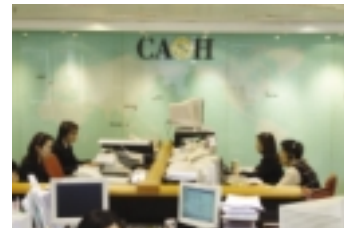
Corporate Profile	3
Corporate Information	4
Financial Review	5
Management Discussion and Analysis	7
Employee Information	12
Directors’ Profile	13
Directors’ Report	15
Auditors’ Report	29
Consolidated Income Statement	30
Consolidated Balance Sheet	31
Balance Sheet	33
Consolidated Statement of Changes in Equity	34
Consolidated Cash Flow Statement	35
Notes to the Financial Statements	37
Five Year Financial Summary	83
Notice of Annual General Meeting	84



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" or "Company") (stock code #8122) is a leading financial services conglomerate that has been servicing clients in Hong Kong for more than thirty years. Through a well-developed securities and commodities brokerage infrastructure, complemented by a fast-growing wealth management business arm, we offer a comprehensive range of premier financial products and services catering for the investment and wealth management needs, short-term and long, of our clients in Hong Kong and the Greater China Region. Our fully-fledged investment banking group services regional corporations on a broad range of corporate finance and financial advisory matters.



Corporate Information

BOARD OF DIRECTORS

Executive:

KWAN Pak Hoo Bankee (Chairman)
LAW Ping Wah Bernard (CFO)
WONG Kin Yick Kenneth (CEO)
CHENG Man Pan Ben
KWOK Oi Kuen Joan Elmond

Independent Non-executive:

CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
WONG Kwong Chi Simon

PRINCIPAL BANKERS

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

SOLICITORS

Richards Butler
Sidley Austin Brown & Wood

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

COMPANY SECRETARIES

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

QUALIFIED ACCOUNTANT

WONG Hon Ming Wallace, *CPA*

COMPLIANCE OFFICER

CHENG Man Pan Ben, *CPA*

AUDIT COMMITTEE

CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
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

Telephone : (852) 2287 8788
Facsimile : (852) 2287 8700
Website : www.cfsg.com.hk

Financial Review

For the year ended 31 December 2004, the Group recorded a net profit attributable to shareholders of HK\$21.3 million as compared with HK\$10.7 million in the previous year. The marked increase was attributed to the continuously positive sentiment in domestic stock market and the synergy effect resulting from the acquisition of wealth management business.

The Group's turnover rose to HK\$240.0 million for the full year, which was 25.6% higher than that of 2003.

Notwithstanding an increase in business transaction volume under the buoyant market environment, the Group remained focused on cost rationalisation. Taking into account of the consolidation of a subsidiary acquired in the second half of 2003, our operating overhead moderately increased by 13.5% to HK\$178.1 million. Our cost leadership approach has enabled the Group to quickly capitalise on the market recovery in 2004 to achieve profitability and to be well prepared for future growth.

Our Group's total shareholders' equity amounted to HK\$238.8 million as of 31 December 2004 as compared to HK\$117.9 million at the end of the previous year. The improvement, apart from earnings retained, was mainly attributed to the completion of a 1-for-1 rights issue in May raising approximately HK\$101.9 million (before expenses). This capital raising exercise has strengthened our capital base so that the Group is in the best position to capture emerging opportunities.

On 31 December 2004, our cash and bank balances totaled HK\$521.4 million, representing an increase of HK\$81.1 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 second half of 2003. Our liquidity ratio on 31 December 2004 remained healthy at 1.3 times as compared 1.2 times on 31 December 2003.

Our total bank borrowings on 31 December 2004 were HK\$96.2 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.

In August, the Group entered into a convertible note agreement with ARTAR, a prominent investment conglomerate in Saudi Arabia, for a consideration of HK\$40.5 million. Together with this convertible note of HK\$40.5 million, the ratio of our interest bearing borrowings to shareholders' equity was decreased to 57.2% on 31 December 2004 as compared to 2.9 times on 31 December 2003. Insofar as that the convertible note accounted for approximately 17.0% of the shareholders equity 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\$0.8 million were pledged to secure general banking facilities granted to a subsidiary for bank guarantee. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. Therefore, a bank deposit of approximately HK\$16.0 million was held for this purpose. Save as aforesaid, we had no other material contingent liabilities.

As at 31 December 2004, the Group was holding a portfolio of listed investment with market value of approximately HK\$47.0 million and a loss on investment of HK\$20.1 million (including unrealised gain or loss arising from marking the value of investments to the market prices) was recorded for the year. During the year ended 31 December 2004 our Group did not make any material acquisitions or disposals nor did we hold any significant investment. We do not have any future plans for material investments or capital assets.

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Bankee P KWAN
Chairman

Management Discussion and Analysis

REVIEW AND OUTLOOK

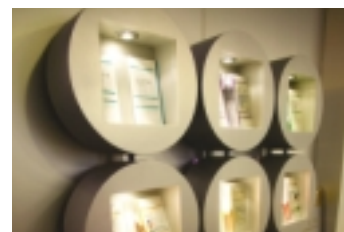
Industry Review

In 2004, the economic recovery in Hong Kong continued to gain momentum with deflation ending and the property market revived. Underpinning this recovery has been the strong tourist and consumer spending as well as a pick-up in exports. Tourism, which started to take off in mid-2003 after the relaxation of traveling requirements for individuals in Mainland China, continued to grow by leaps and bounds. The domestic market turnover has also benefited from a rising tide in Macau where the gaming and leisure industry is poised to take off. At the same time, the low interest rates have helped the property market in Hong Kong recover rapidly with turnover in some segments approaching pre-1997 highs. Speculations that Renminbi might re-value imminently have attracted hot money flows into the Hong Kong financial system and boosted activities in both the property and the equity markets.

Externally, the US dollar resumed its course of weakening against the euro and the yen in the second half of 2004 on the back of the burgeoning twin deficits in the US, and concerns over an economic slowdown in the US in 2005.

In Mainland China, overheating concerns have led to macro-economic controls since the second half of 2003. Uncertainty over an economic soft- versus hard-landing has caused market jitters and volatility. However, the stock market in Hong Kong remained resilient. Better still, market turnover seemed to have benefited from the volatility. The bellwether Hang Seng Index finished the year 13.2% higher than 2003 and turnover soared 53.7% to HK\$3,993.6 billion.

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





We will continue to maintain our leadership in cost management and control, and at the same time, further expand our efforts to diversify our product mix and revenue sources.

Management Discussion and Analysis

After a disappointing year of 2003, 2004 marked a rebound in both primary (IPO) and secondary capital market fund-raising activities. A number of Mainland corporate issuers were listed in Hong Kong and internationally during the year and had rekindled investors' interest and made Hong Kong the world's third largest fund-raising centre of the year.

Business Review

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

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

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

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



Management Discussion and Analysis



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



The wealth management business, introduced in 2003 as part of the product and income diversification strategy, continued to experience double-digit growth in headcount and revenue during the year. This wealth management business, which presents an enormous opportunity to drive our future growth, accounted for approximately 11.6% of our overall revenue in 2004.

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

Outlook

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

Management Discussion and Analysis

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

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

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



Employee Information

At 31 December 2004, the Group had 188 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\$50.0 million. We continue to organise training to employees in areas such as product knowledge, language training, customer service, selling techniques, problem solving, time management, motivation, team building, coaching and continuous professional training programmes required by regulatory bodies.

Directors' Profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN

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

Mr Bankee Kwan joined the Group at its establishment. He is in charge of the Group's strategic business development and executive management. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group and Celestial Asia Securities Holdings Limited ("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, an honorary advisor of China Charity Federation, and also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC, and an advisory professor of Nanjing University, PRC. Mr Kwan is a member of the Chinese People's Political Consultative Conference, Shanghai Committee, and the Chairman of the Hong Kong Retail Management Association. Mr Kwan is also the substantial shareholder of the Company and the chairman of CASH and Pricerite Group Limited ("Pricerite").

Bernard Ping-wah LAW

CFO, 46, MBA, FCCA, FCPA, MHKSI

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

Kenneth Kin-yick WONG

CEO, 47, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000. He is in charge of the Group's business development and business management. 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

Ben Man-pan CHENG

Executive Director, 35, BA, FCCA, CPA

Mr Ben Cheng joined the Group at its establishment and was appointed to the Board on 7 June 2004. He acts as the head of operation of the Group and is also in charge of the Group's financial controlling. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Before joining the Group and CASH, he assumed senior financial executive positions in several Hong Kong listed companies and corporations and in the fields of finance and audit. Mr Cheng is also the compliance officer of the Company.

Joan Elmond Oi-kuen KWOK

Executive Director, 36, MBA, BA, FCIS

Ms Joan Kwok joined the Group at its establishment and was appointed to the Board on 16 October 2001. She is in charge of the Group's corporate governance. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Shu-shing CHENG

Independent Non-executive Director, 49

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.

Ronnie Ka-wah HUI

Independent Non-executive Director, 41, MBBS, MRCP, DCH, FHKAM, FHKCP, CFA

Dr Ronnie Hui joined the Independent Board on 3 November 2004. Dr Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. He is a CFA charterholder and is currently the chief financial officer of a metal trading company in Hong Kong. Dr Hui is a member of the Audit Committee of the Company, and is also an independent non-executive director and a member of the audit committee of Pricerite.

Simon Kwong-chi WONG

Independent Non-executive Director, 53, 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. Mr Wong is also a member of the Audit Committee of the Company.

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 30 of this Annual Report.

The Board recommends the payment of a final dividend of HK\$0.01 per share (2003: nil) for the year ended 31 December 2004.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2004 is set out on page 83 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.

Directors' Report

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.

CONVERTIBLE NOTES

(i) Convertible note issued on 28 September 2001

The convertible note bears an interest rate of 2% per annum from the date of issue to the final date of repayment on or before 31 December 2006. With effect from 24 April 2004, the conversion price of the convertible note has been further revised from HK\$1.47 per share (as adjusted) to HK\$1.13 per share due to rights issue of the Company. During the year, the Company had made full repayment of the outstanding amount of the convertible note of HK\$125,100,000 to Champion Ford Limited, the note holder and a fellow subsidiary of the Company. As at 31 December 2004, the convertible note has been fully repaid.

(ii) Convertible note issued on 1 September 2004

On 1 September 2004, the Company issued a convertible note with a principal amount of HK\$40,500,000 at an initial conversion price of HK\$0.27 per share to Abdulrahman Saad Al-Rashid & Sons Company Limited. The convertible note bears an interest rate of 3% per annum from the date of issue to the final date of repayment of 31 December 2006. As at 31 December 2004, the outstanding amount of the convertible note was HK\$40,500,000 convertible into a total number of 150,000,000 shares at the initial conversion price of HK\$0.27 per share (subject to adjustment).

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 2004, the reserves of the Company available for distribution to shareholders were approximately HK\$63,387,000, comprising contributed surplus of HK\$68,669,000 less accumulated losses of HK\$5,282,000, and the Company's share premium available for distribution in the form of fully paid bonus shares was HK\$61,956,000.

Directors' Report

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.

CONNECTED TRANSACTION

Proposed issue of new shares to controlling shareholder

On 16 August 2004, the Company entered into a share agreement ("Share Agreement") with Celestial Investment Group Limited ("CIGL"), the controlling shareholder of the Company. Pursuant to the Share Agreement, the Company will issue 132,000,000 new shares to CIGL at the subscription price of HK\$0.27. The transaction was a connected transaction of the Company. The Share Agreement was subject to conditions, including, inter alia, completion of the agreement for the issue of a convertible note dated 16 August 2004 and approval by independent shareholders of the Company at a special general meeting held on 20 September 2004. All the conditions for completion have been fulfilled in accordance with the terms of the Share Agreement. Details of the transaction were set out in the Company's announcement dated 16 August 2004 and the circular dated 1 September 2004. The Share Agreement is pending for completion.

RAISING OF FUNDS

- (i) On 18 March 2004, the Directors proposed a 1-for-1 rights issue at the subscription price of HK\$0.27 per share to raise approximately HK\$101,865,000 capital. The closing price of each share on 17 March 2004 (the last trading day prior to the fixing of the terms of the rights issue) was HK\$0.507. The rights issue has been completed and 377,278,224 rights shares in the Company were duly issued and allotted on 17 May 2004.
- (ii) On 16 August 2004, the Company announced to issue a convertible note with a principal amount of HK\$40,500,000 at an initial conversion price of HK\$0.27 per share. The closing price of each share on 16 August 2004 (the last trading day prior to the fixing of the terms of the convertible note) was HK\$0.248. The issue of the convertible note was completed on 1 September 2004. Details of the convertible note has been disclosed in the "Convertible Notes" above.

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 and financial services for the mutual funds and insurance-linked investment products 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 supplier 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	
Wong Kin Yick Kenneth	
Cheng Man Pan Ben	(appointed on 7 June 2004)
Kwok Oi Kuen Joan Elmond	
Law Ka Kin Eugene	(resigned on 7 June 2004)
Miao Wen Hao Felix	(resigned on 7 June 2004)

Independent Non-executive Directors:

Cheng Shu Shing Raymond	
Hui Ka Wah Ronnie	(appointed on 3 November 2004)
Wong Kwong Chi Simon	
Lo Kwok Hung John	(resigned on 3 November 2004)

Directors' Report

In accordance with Bye-laws 86(2) of the Company's Bye-laws, Mr Cheng Man Pan Ben and Dr Hui Ka Wah Ronnie shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

The term of office for each Independent Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

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

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 30 to the financial statements.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2004, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 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	–	386,827,434*	51.27
Wong Kin Yick Kenneth	Beneficial owner	1,620,000	–	0.21
Cheng Shu Sing Raymond	Beneficial owner	1,100,000	–	0.15
		<u>2,720,000</u>	<u>386,827,434</u>	<u>51.63</u>

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

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 2004 (%)	
					outstanding as at 1 January 2004	adjusted on 24 April 2004 (Note (1))	lapsed during the year (Note (3))		outstanding as at 31 December 2004
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.46	(7)	1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(7)	2,450,000	735,000	–	3,185,000	0.42
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	(2,652,000)	–	–
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	(2,652,000)	–	–
Cheng Man Pan Ben	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.46	(5)	N/A	N/A	(1,625,000)	–	–
	2/12/2003	1/6/2004 – 31/5/2006	0.34	(2)&(5)	N/A	N/A	–	650,000	0.09
Law Ka Kin Eugene	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	(1,625,000)	–	–
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	–	3,185,000	0.42
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)&(6)	2,550,000	765,000	–	N/A	N/A
	3/11/2003	3/11/2003 – 31/10/2004	0.46	(6)	1,250,000	375,000	–	N/A	N/A
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(6)	2,450,000	735,000	–	N/A	N/A
	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)&(6)	1,530,000	459,000	–	N/A	N/A
	3/11/2003	3/11/2003 – 31/10/2004	0.46	(6)	1,250,000	375,000	–	N/A	N/A
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(6)	2,450,000	735,000	–	N/A	N/A
					30,360,000	9,108,000	(13,429,000)	13,390,000	1.77

Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 24 April 2004.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (3) The lapsed options were due to expiry.
- (4) No option was granted, exercised or cancelled during the year.
- (5) Mr Cheng Man Pan Ben was appointed as a Director of the Company during the year.
- (6) Mr Law Ka Kin Eugene and Mr Miao Wen Hao Felix resigned as Directors of the Company during the year.
- (7) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (8) The options are held by the Directors in the capacity of beneficial owner.

Directors' Report

(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 2004 (%)
Kwan Pak Hoo Bankee	386,827,434	3,185,000	390,012,434	51.69
Law Ping Wah Bernard	–	3,185,000	3,185,000	0.42
Wong Kin Yick Kenneth	1,620,000	3,185,000	4,805,000	0.63
Cheng Man Pan Ben	–	650,000	650,000	0.09
Kwok Oi Kuen Joan Elmond	–	3,185,000	3,185,000	0.42
Cheng Shu Shing Raymond	1,100,000	–	1,100,000	0.15
	389,547,434	13,390,000	402,937,434	53.40

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	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.62
Cheng Shu Shing Raymond	Beneficial owner	338,000	–	0.08
		8,197,700	164,028,376	39.36

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

Directors' Report

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options		Percentage to issued shares as at 31 December 2004 (%)
					outstanding as at 1 January 2004	outstanding as at 31 December 2004	
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.69
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.69
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	1,000,000	0.23
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.69
Law Ka Kin Eugene	2/12/2003	2/12/2003 – 30/11/2005	0.502	(1)	1,000,000	N/A	N/A
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502	(1)	1,000,000	N/A	N/A
					12,000,000	10,000,000	2.30

Notes:

- (1) Mr Law Ka Kin Eugene and Mr Miao Wen Hao Felix resigned as Directors of the Company during the year.
- (2) The options are held by the Directors in the capacity of beneficial owner.

(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 2004 (%)
Kwan Pak Hoo Bankee	164,028,376	3,000,000	167,028,376	38.18
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	1.85
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.23
Cheng Man Pan Ben	63,500	–	63,500	0.01
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.31
Cheng Shu Sing Raymond	338,000	–	338,000	0.08
	172,226,076	10,000,000	182,226,076	41.66

Directors' Report

2. Pricerite

(a) Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	446,572,587*	66.98

* The shares were held as to 443,572,587 shares by CIGL and its subsidiaries and as to 3,000,000 shares by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in 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 (HK\$)	Notes	Number of options				Percentage to issued shares	
					outstanding as at 1 January 2004	adjusted on 2 March 2004 (Note (1))	adjusted on 11 September 2004 (Note (2))	lapsed during the year	outstanding as at 31 December 2004	31 December 2004 (%)
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.200		1,000,000	-	-	(1,000,000)	-	-
	2/12/2003	2/12/2003 – 30/11/2004	0.316	(1)&(2)	1,000,000	4,000,000	666,667	(5,666,667)	-	-
Law Ping Wah Bernard	17/1/2002	1/2/2002 – 31/1/2004	4.200		650,000	-	-	(650,000)	-	-
	2/12/2003	2/12/2003 – 30/11/2004	0.316	(1)&(2)	1,000,000	4,000,000	666,667	(5,666,667)	-	-
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	0.316	(1)&(2)	500,000	2,000,000	N/A	N/A	N/A	N/A
					4,150,000	10,000,000	1,333,334	(12,983,334)	-	-

Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004. The exercise price was adjusted from HK\$1.79 to HK\$0.358.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in Pricerite with effect from 11 September 2004. The exercise price was adjusted from HK\$0.358 to HK\$0.316.
- (3) The options are held by the Directors in the capacity of beneficial owner.

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 2004 (%)
Kwan Pak Hoo Bankee	446,572,587	–	446,572,587	66.98

Save as disclosed above, as at the 31 December 2004, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

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 29(A) to the financial statements.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding %
Jeffnet Inc (Note 1)	Trustee of a discretionary trust	386,827,434	51.27
Cash Guardian (Note 1)	Interest in a controlled corporation	386,827,434	51.27
CASH (Note 1)	Interest in a controlled corporation	386,827,434	51.27
CIGL (Note 1)	Beneficial owner	386,827,434	51.27
Mrs Nina Wong (Note 2)	Interest in a controlled corporation	49,732,640	6.59
Hampstead Trading Limited (Note 2)	Beneficial owner	43,136,000	5.72

Notes:

- (1) The shares were held by CIGL (a wholly owned subsidiary of CASH). CASH was owned as to approximately 37.49% 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. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.
- (2) The 49,732,640 shares were held as to 43,136,000 shares by Hampstead Trading Limited and 6,596,640 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 2004, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

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 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company had complied with rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year ended 31 December 2004, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report having taken effect on 1 January 2005.

The Company had adopted a code of conduct regarding securities transactions by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules, and all Directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2004.

The Company has received a written confirmation in respect of independence from each of the Independent Non-executive Director of the Company in compliance with rule 5.09 of the GEM Listing Rules, and the Company still considers that each of them to be independent.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 30 October 2000 and was as at 31 December 2004 comprising Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr 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.

Directors' Report

AUDITORS

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

On behalf of the Board

Bankee P Kwan

Chairman

Hong Kong, 18 March 2005

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 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the 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, 18 March 2005



Consolidated Income Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	239,972	191,102
Other operating income		7,710	10,313
Write back of (Allowance for) bad and doubtful debts		1,139	(1,073)
Salaries, allowances and commission	6	(119,559)	(93,557)
Other operating and administrative expenses		(58,570)	(63,352)
Depreciation and amortisation		(20,106)	(20,284)
Loss on trading of securities, options, futures, and leveraged foreign exchange contracts		(20,140)	(4,671)
Finance costs	7	(8,387)	(6,056)
Loss on disposal of property and equipment		(7)	(1,364)
Profit before taxation	10	22,052	11,058
Taxation	11	(350)	(134)
Profit after taxation and before minority interests		21,702	10,924
Minority interests		(424)	(237)
Net profit attributable to shareholders		21,278	10,687
Dividend:			
Proposed final dividend of HK\$0.01 per share based on 754,556,448 shares (2003: nil)		7,546	–
Earnings per share	12		
– Basic		3.3 cents	4.0 cents
– Diluted		N/A	N/A

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Property and equipment	13	20,725	29,501
Goodwill	15	4,933	5,903
Intangible assets	16	9,092	10,922
Other assets	17	11,387	12,187
Loans receivable	18	18,700	–
		64,837	58,513
Current assets			
Accounts receivable	19	363,191	489,557
Loans receivable	18	19,651	700
Prepayments, deposits and other receivables		9,978	10,651
Amounts due from fellow subsidiaries	31(g)	2,048	1,786
Investments	20	47,032	47,068
Bank deposits under conditions	21	16,782	16,565
Bank balances – trust and segregated accounts		433,156	382,056
Bank balances (general accounts) and cash		71,500	41,715
		963,338	990,098
Current liabilities			
Accounts payable	22	616,906	563,862
Accrued liabilities and other payables		34,319	28,529
Taxation payable		584	234
Obligations under finance leases – amount due within one year	23	63	194
Bank borrowings	24	96,155	212,374
		748,027	805,193
Net current assets		215,311	184,905
		280,148	243,418



Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Capital and reserves			
Share capital	25	75,456	37,728
Reserves	26	163,382	80,148
		238,838	117,876
Minority interests			
		810	386
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	23	–	56
Convertible notes	27	40,500	125,100
		40,500	125,156
		280,148	243,418

The financial statements on pages 30 to 82 were approved and authorised for issue by the board of Directors on 18 March 2005 and are signed on its behalf by:

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director

Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Non-current assets			
Property and equipment	13	34	87
Investments in subsidiaries	14	461,324	461,324
		461,358	461,411
Current assets			
Prepayments, deposits and other receivables		–	98
Amounts due from subsidiaries		102,620	87,349
Bank balances (general accounts)		894	896
		103,514	88,343
Current liabilities			
Accrued liabilities and other payables		300	–
Amounts due to subsidiaries		323,273	323,273
		323,573	323,273
Net current liabilities			
		(220,059)	(234,930)
		241,299	226,481
Capital and reserves			
Share capital	25	75,456	37,728
Reserves	26	125,343	63,653
		200,799	101,381
Non-current liabilities			
Convertible notes	27	40,500	125,100
		241,299	226,481

KWAN Pak Hoo Bankee
Director

LAW Ping Wah Bernard
Director



Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Total equity HK\$'000
At 1 January 2003	(28,145)
Issue of new shares due to conversion of a convertible note	75,000
Issue of new shares due to rights issue	62,880
Share issue expenses	(2,546)
Net profit for the year	10,687
At 31 December 2003 and 1 January 2004	117,876
Issue of new shares due to rights issue	101,865
Share issue expenses	(2,181)
Net profit for the year	21,278
At 31 December 2004	238,838

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Operating activities			
Profit before taxation		22,052	11,058
Adjustments for:			
Advertising and telecommunication services expenses	28	1,786	4,315
(Write back of) Allowance for bad and doubtful debts		(1,139)	1,073
Amortisation of goodwill		2,370	239
Amortisation of intangible assets		1,830	1,830
Depreciation of property and equipment		15,906	18,215
Interest expenses		8,387	6,056
Loss on disposal of property and equipment		7	1,364
Operating cash inflows before movements in working capital		51,199	44,150
(Increase) Decrease in loans receivable		(36,512)	1,644
Decrease (Increase) in accounts receivable		126,366	(316,433)
Decrease in prepayments, deposits and other receivables		1,288	332
Increase in amounts due from fellow subsidiaries		(262)	(1,786)
Decrease (Increase) in investments		36	(35,540)
Increase in bank balances – trust and segregated accounts		(51,100)	(97,036)
Increase in accounts payable		53,044	228,072
Increase (Decrease) in accrued liabilities and other payables		5,790	(5,187)
Decrease in amounts due to fellow subsidiaries		-	(2,400)
Net cash from (used in) operating activities		149,849	(184,184)
Investing activities			
Additional payment for acquisition of a subsidiary	15	(1,400)	-
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)		-	(2,706)
Increase in bank deposits under conditions		(217)	(15,954)
Statutory and other deposits (paid) refunded		(1,601)	164
Proceeds on disposal of property and equipment		-	249
Purchases of property and equipment		(7,137)	(298)
Net cash used in investing activities		(10,355)	(18,545)



Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Financing activities		
(Decrease) Increase in bank overdrafts	(7,219)	2,210
(Decrease) Increase in bank loans	(109,000)	111,100
Proceeds on issue of shares	101,865	62,880
Proceeds on issue of convertible note	40,500	–
Share issue expenses	(2,181)	(2,546)
Interest paid on bank borrowings	(6,343)	(3,213)
Interest paid on obligations under finance leases	(12)	(12)
Interest paid on convertible notes	(2,032)	(2,831)
Repayments of obligations under finance leases	(187)	(265)
Repayments of convertible note	(125,100)	–
Net cash (used in) from financing activities	(109,709)	167,323
Net increase (decrease) in cash and cash equivalents	29,785	(35,406)
Cash and cash equivalents at beginning of year	41,715	77,121
Cash and cash equivalents at end of year	71,500	41,715
Bank balances (general accounts) and cash	71,500	41,715

Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the 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. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

The Group has commenced considering the potential impact of these New HKFRSs. Based on management's preliminary assessment, the adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" in the annual period beginning on 1 January 2005 will result in cessation of amortisation of goodwill to the income statement. Pursuant to HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", goodwill is to be recognised as an asset and reviewed for impairment at least annually and any impairment is recognised immediately in the income statement while the Group's current policy is to amortise goodwill on a straight-line basis over its useful economic life. During the year ended 31 December 2004, the amortisation of goodwill charged to the income statement amounted to approximately HK\$2,370,000.

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

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

Goodwill

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

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

Investments in subsidiaries

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

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost less depreciation and 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

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.



Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

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

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

Investments

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

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

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

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

Intangible assets

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

Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 items of income or expense that are never taxable or deductible.



Notes to the Financial Statements

For the year ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Foreign currencies

Transactions in 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.

Retirement benefits costs

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

Notes to the Financial Statements

For the year ended 31 December 2004

4. TURNOVER

	THE GROUP 2004 HK\$'000	2003 HK\$'000 (restated)
Fees and commission income	210,729	173,940
Interest income	29,243	17,162
	239,972	191,102

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

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 and leveraged foreign exchange contracts 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 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Income statement for the year ended 31 December 2004

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
Turnover	204,092	29,243	6,637	239,972
RESULT				
Segment profit (loss)	44,736	8,527	(7,863)	45,400
Other operating income				7,710
Unallocated corporate expenses				(31,058)
Profit before taxation				22,052
Taxation				(350)
Profit after taxation and before minority interests				21,702

Balance sheet as at 31 December 2004

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	681,832	293,478	11,400	986,710
Unallocated corporate assets				41,465
Consolidated total assets				1,028,175
LIABILITIES				
Segment liabilities	552,738	160,323	3,353	716,414
Unallocated corporate liabilities				72,113
Consolidated total liabilities				788,527

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Other information for the year ended 31 December 2004

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property and equipment	-	-	-	7,137	7,137
Write back of bad and doubtful debts	-	(1,139)	-	-	(1,139)
Amortisation of intangible assets	1,830	-	-	-	1,830
Amortisation of goodwill	1,040	-	1,330	-	2,370
Depreciation of property and equipment	1,132	-	32	14,742	15,906
Loss on disposal of property and equipment	-	-	-	7	7

Income statement for the year ended 31 December 2003

	Broking HK\$'000 (restated)	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000 (restated)
Turnover	162,644	12,946	15,512	191,102
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



Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

6. SALARIES, ALLOWANCES AND COMMISSION

	THE GROUP 2004 HK\$'000	2003 HK\$'000
Salaries, allowances and commission represent the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	117,879	92,932
Contributions to retirement benefits scheme	1,680	625
	119,559	93,557

7. FINANCE COSTS

	THE GROUP 2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	6,343	3,213
Convertible notes	2,032	2,831
Finance leases	12	12
	8,387	6,056

Notes to the Financial Statements

For the year ended 31 December 2004

8. DIRECTORS' REMUNERATION

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Fees:		
Executive Directors	–	–
Independent Non-executive Directors	300	300
Other remuneration paid to Executive Directors:		
Salaries, allowances and benefits in kind	2,994	3,049
Contributions to retirement benefits scheme	139	125
Total remuneration	3,433	3,474

During the year, the Executive Directors received remuneration of approximately HK\$326,000 (2003: HK\$726,000), HK\$630,000 (2003: HK\$590,000), HK\$1,068,000 (2003: HK\$976,000), HK\$359,000 (2003: nil) and nil (2003: nil) respectively, and two Executive Directors resigned during the year received remuneration of approximately HK\$750,000 (2003: HK\$882,000) and nil (2003: nil) respectively.

During the year, the Independent Non-executive Directors received a fee of HK\$100,000 (2003: HK\$100,000), HK\$100,000 (2003: HK\$100,000) and nil (2003: nil) respectively, and the Independent Non-executive Director resigned during the year received a fee of HK\$100,000 (2003: HK\$100,000).

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.

Notes to the Financial Statements

For the year ended 31 December 2004

9. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, one (2003: nil) was Director of the Company whose emolument is included in the disclosures in note 8 above. The emoluments of the remaining four (2003: five) individuals were as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	5,177	6,572
Contributions to retirement benefits scheme	162	268
Performance related incentive payments	182	–
	5,521	6,840

Their remuneration were within the following band:

	2004	2003
	Number of employees	Number of employees
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	3
HK\$1,500,001 to HK\$2,000,000	1	2

Notes to the Financial Statements

For the year ended 31 December 2004

10. PROFIT BEFORE TAXATION

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of goodwill (included in depreciation and amortisation)	2,370	239
Amortisation of intangible assets (included in depreciation and amortisation)	1,830	1,830
Auditors' remuneration	1,200	1,200
Depreciation of property and equipment		
Owned assets	15,716	18,025
Leased assets	190	190
	15,906	18,215
Operating lease rentals in respect of land and buildings	10,765	11,527
Net foreign exchange gain	(3,574)	(7,385)
Dividends from investments	(693)	-

11. TAXATION

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

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

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	22,052	11,058
Taxation at income tax rate of 17.5%	3,859	1,935
Tax effect of estimated tax losses not recognised	2,982	1,419
Tax effect of expenses not deductible for tax purpose	4,217	2,644
Tax effect of income not taxable for tax purpose	(571)	(482)
Utilisation of estimated tax losses previously not recognised	(10,109)	(6,101)
Other difference	(28)	719
Taxation for the year	350	134

Notes to the Financial Statements

For the year ended 31 December 2004

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
At 1 January 2003	(4,709)	4,709	–
Credit (Charge) to income statement	2,402	(2,402)	–
Effect of change in tax rate	(441)	441	–
At 31 December 2003 and 1 January 2004	(2,748)	2,748	–
Credit (Charge) to income statement	803	(803)	–
At 31 December 2004	(1,945)	1,945	–

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

At the balance sheet date, the Group had unused estimated tax losses of HK\$349,081,000 (2003: HK\$389,807,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$11,114,000 (2003: HK\$15,703,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK\$337,967,000 (2003: HK\$374,104,000) due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 31 December 2004

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2004 together with the comparative figures for 2003 are as follows:

	2004 HK\$'000	2003 HK\$'000
Profit for the purpose of basic and diluted earnings per share	21,278	10,687
Weighted average number of ordinary shares for the purpose of basic earnings per share	642,409,860	270,437,481
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible notes	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	642,409,860	270,437,481

The weighted average number of ordinary shares for the year ended 31 December 2003 for the purposes of basic and diluted earnings per share has been adjusted for the rights issue which took effect on 17 May 2004.

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

Notes to the Financial Statements

For the year ended 31 December 2004

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 2004	29,380	20,988	24,092	1,723	76,183
Additions	4,911	619	1,607	–	7,137
Disposals	–	–	(15)	–	(15)
At 31 December 2004	34,291	21,607	25,684	1,723	83,305
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	14,254	12,776	18,813	839	46,682
Provided for the year	7,052	4,937	3,237	680	15,906
Eliminated on disposals	–	–	(8)	–	(8)
At 31 December 2004	21,306	17,713	22,042	1,519	62,580
NET BOOK VALUES					
At 31 December 2004	12,985	3,894	3,642	204	20,725
At 31 December 2003	15,126	8,212	5,279	884	29,501

The net book values of furniture and fixtures of HK\$3,894,000 and motor vehicles of HK\$204,000 included amounts of HK\$83,000 (2003: HK\$142,000) and nil (2003: HK\$131,000) respectively in respect of assets held under finance leases.



Notes to the Financial Statements

For the year ended 31 December 2004

13. PROPERTY AND EQUIPMENT (continued)

	Furniture and fixtures HK\$'000	Computer and equipment HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1 January 2004 and 31 December 2004	140	4,585	4,725
ACCUMULATED DEPRECIATION			
At 1 January 2004	94	4,544	4,638
Provided for the year	28	25	53
At 31 December 2004	122	4,569	4,691
NET BOOK VALUES			
At 31 December 2004	18	16	34
At 31 December 2003	46	41	87

14. INVESTMENTS IN SUBSIDIARIES

	2004 HK\$'000	2003 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 2004

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
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\$22,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK\$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK\$2	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK\$120,000,000	100	Securities, equity options broking and trading and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US\$1	100	Investment holding
CASH Frederick Taylor Limited ("CFT")	Hong Kong	Ordinary HK\$1,000,000	70	Financial advisory consultancy

The principal place of operation of the subsidiaries shown above, which were incorporated in Hong Kong, is Hong Kong. CASH E-Trade Limited and icoupon Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.



Notes to the Financial Statements

For the year ended 31 December 2004

15. GOODWILL

	THE GROUP HK\$'000
<hr/>	
COST	
At 1 January 2004	108,045
Arising on additional payment for acquisition of a subsidiary (Note)	<u>1,400</u>
At 31 December 2004	<u>109,445</u>
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	102,142
Charged for the year	<u>2,370</u>
At 31 December 2004	<u>104,512</u>
NET BOOK VALUES	
At 31 December 2004	<u>4,933</u>
At 31 December 2003	<u>5,903</u>

The amortisation period adopted for goodwill is 3 years.

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

Notes to the Financial Statements

For the year ended 31 December 2004

16. INTANGIBLE ASSETS

	THE GROUP HK\$'000
COST	
At 1 January 2004 and 31 December 2004	15,039
AMORTISATION	
At 1 January 2004	4,117
Charged for the year	1,830
At 31 December 2004	5,947
NET BOOK VALUES	
At 31 December 2004	9,092
At 31 December 2003	10,922

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

17. OTHER ASSETS

	THE GROUP 2004 HK\$'000	2003 HK\$'000
Club memberships	1,970	1,970
Statutory and other deposits	6,617	5,016
Prepayment for advertising and telecommunication services	5,600	7,386
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(2,800)	(2,185)
	11,387	12,187



Notes to the Financial Statements

For the year ended 31 December 2004

18. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Matured within 180 days	16,084	700
Matured between 181 days to 365 days	3,567	–
Matured within one year	19,651	700
Matured over one year	18,700	–
	38,351	700

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

19. ACCOUNTS RECEIVABLE

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	16,168	93,675
Cash clients	86,935	49,975
Margin clients	183,287	285,895
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	72,989	56,045
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	3,302	2,909
Accounts receivable arising from the business of provision of corporate finance services	510	1,058
	363,191	489,557

Notes to the Financial Statements

For the year ended 31 December 2004

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 due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

19. ACCOUNTS RECEIVABLE (continued)

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:

	2004 HK\$'000	2003 HK\$'000
0-30 days	3,182	2,350
31-60 days	189	9
61-90 days	163	189
Over 90 days	278	1,419
	3,812	3,967

20. INVESTMENTS

	Investment securities		THE GROUP Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities:						
Non-current						
Unlisted in Hong Kong, at cost	-	15,600	-	-	-	15,600
Impairment loss recognised	-	(15,600)	-	-	-	(15,600)
	-	-	-	-	-	-
Current						
Listed in Hong Kong, at market value	-	-	47,032	47,068	47,032	47,068
	-	-	47,032	47,068	47,032	47,068

Notes to the Financial Statements

For the year ended 31 December 2004

21. BANK DEPOSITS UNDER CONDITIONS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Other bank deposits (Note a)	16,018	15,808
Pledged bank deposits (Note b)	764	757
	16,782	16,565

Notes:

- (a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15,000,000 (2003: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.
- (b) The Group's bank deposits of HK\$764,000 (2003: HK\$757,000) was pledged to secure the general banking facilities granted by a bank.

22. ACCOUNTS PAYABLE

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	353,113	373,929
Margin clients	64,168	69,289
Clearing houses, brokers and dealers	39,875	–
Accounts payable to clients arising from the business of dealing in futures and options	156,151	120,644
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	3,599	–
	616,906	563,862



Notes to the Financial Statements

For the year ended 31 December 2004

22. ACCOUNTS PAYABLE (continued)

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

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

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

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases				
Within one year	64	197	63	194
In the second to fifth year inclusive	-	57	-	56
	64	254	63	250
Less: Future finance charges	1	4	-	-
Present value of lease obligations	63	250	63	250
Less: Amount due for payment within one year			63	194
Amount due for payment after one year			-	56

Notes to the Financial Statements

For the year ended 31 December 2004

23. OBLIGATIONS UNDER FINANCE LEASES (continued)

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.

24. BANK BORROWINGS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Bank overdrafts, unsecured	-	68
Bank overdrafts, secured	18,155	25,306
	18,155	25,374
Bank loans, secured	78,000	187,000
	96,155	212,374

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 2004, 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 (2003: 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 2004

25. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2003, 31 December 2003 and 1 January 2004		500,000	50,000
Increase during the year	(a)	1,500,000	150,000
At 31 December 2004		2,000,000	200,000
Issued and fully paid:			
At 1 January 2003		100,760	10,076
Issue of shares due to conversion of convertible note		25,000	2,500
Issue of shares due to rights issue		251,518	25,152
At 31 December 2003 and 1 January 2004		377,278	37,728
Issue of shares due to rights issue	(b)	377,278	37,728
At 31 December 2004		754,556	75,456

Notes:

- (a) Pursuant to an ordinary resolution passed on 23 April 2004, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 shares of HK\$0.10 each.

Pursuant to an ordinary resolution passed on 20 September 2004, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.10 each.

- (b) Rights issue

On 17 May 2004, 377,278,224 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.27 per share. The proceed before expenses, totaled approximately HK\$101,865,000, 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 2004

26. RESERVES

	Note	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP					
At 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		(72,500)	72,500	–	–
Amount transferred to write off accumulated losses		–	(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		(37,728)	37,728	–	–
Net profit for the year		–	–	10,687	10,687
<hr/>					
At 31 December 2003 and 1 January 2004		–	186,377	(106,229)	80,148
Issue of rights shares	(a)	64,137	–	–	64,137
Share issue expenses	(a)	(2,181)	–	–	(2,181)
Net profit for the year		–	–	21,278	21,278
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At 31 December 2004		61,956	186,377	(84,951)	163,382

Notes to the Financial Statements

For the year ended 31 December 2004

26. RESERVES (continued)

	Note	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At 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		(72,500)	72,500	–	–
Amount transferred to write off accumulated losses		–	(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		(37,728)	37,728	–	–
Net loss for the year		–	–	(5,016)	(5,016)
At 31 December 2003 and 1 January 2004		–	68,669	(5,016)	63,653
Issue of rights shares	(a)	64,137	–	–	64,137
Share issue expenses	(a)	(2,181)	–	–	(2,181)
Net loss for the year		–	–	(266)	(266)
At 31 December 2004		61,956	68,669	(5,282)	125,343

Notes:

- (a) On 17 May 2004, 377,278,224 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.27 per share.
- (b) 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.

Notes to the Financial Statements

For the year ended 31 December 2004

26. RESERVES (continued)

- (c) 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 NOTES

THE GROUP AND THE COMPANY

	Notes	2004 HK\$'000	2003 HK\$'000
Convertible note issued on 28 September 2001	(a)	–	125,100
Convertible note issued on 1 September 2004	(b)	40,500	–
		40,500	125,100

- (a) The convertible note was payable to a fellow subsidiary of the Company. It bore interest at a rate of 2% per annum and was repayable on or before 31 December 2006. During the year, the outstanding principal amount of the convertible note was fully repaid.

Notes to the Financial Statements

For the year ended 31 December 2004

27. CONVERTIBLE NOTES

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

28. MAJOR NON-CASH TRANSACTION

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\$1,786,000 (2003: HK\$4,315,000).

Notes to the Financial Statements

For the year ended 31 December 2004

29. SHARE OPTION SCHEMES

(A) Share option schemes of the Company

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("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 75,455,644 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 2004

29. SHARE OPTION SCHEMES (continued)

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

- (iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.
- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of Directors 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 2004

29. 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:

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Notes	Number of options								
					outstanding as at 1/1/2003	lapsed in 2003 (Note 4)	adjusted on 4/11/2003 (Note 1)	granted in 2003	outstanding as at 31/12/2003 and 1/1/2004	adjusted on 24/4/2004 (Note 2)	reallocated upon change of directorate	lapsed in 2004 (Note 4)	outstanding as at 31/12/2004
Directors													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	4,000,000	-	4,160,000	-	8,160,000	2,448,000	(5,304,000)	(5,304,000)	-
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(2)	-	-	-	7,500,000	7,500,000	2,250,000	(1,625,000)	(8,125,000)	-
	2/12/2003	0.34	2/12/2003-30/11/2005	(2)	-	-	-	14,700,000	14,700,000	4,410,000	(6,370,000)	-	12,740,000
	2/12/2003	0.34	1/6/2004-31/5/2006	(2)&(3)	-	-	-	-	-	-	650,000	-	650,000
					4,000,000	-	4,160,000	22,200,000	30,360,000	9,108,000	(12,649,000)	(13,429,000)	13,390,000
Employees													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	1,000,000	-	1,040,000	-	2,040,000	612,000	5,304,000	(7,956,000)	-
	27/3/2001	0.83	1/10/2001-30/9/2004	(1),(2)&(3)	645,000	(275,000)	384,800	-	754,800	220,320	-	(975,120)	-
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	(2)	-	-	-	5,000,000	5,000,000	1,500,000	1,625,000	(8,125,000)	-
	2/12/2003	0.34	2/12/2003-30/11/2005	(2)	-	-	-	4,900,000	4,900,000	1,470,000	6,370,000	(3,185,000)	9,555,000
	2/12/2003	0.34	1/6/2004-31/5/2006	(2)&(3)	-	-	-	17,750,000	17,750,000	5,115,000	(650,000)	(1,675,000)	20,540,000
					1,645,000	(275,000)	1,424,800	27,650,000	30,444,800	8,917,320	12,649,000	(21,916,120)	30,095,000
					5,645,000	(275,000)	5,584,800	49,850,000	60,804,800	18,025,320	-	(35,345,120)	43,485,000

Notes:

- (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. The exercise price per share was adjusted from HK\$2.20 to HK\$1.08.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 24 April 2004. The exercise prices per share were adjusted from HK\$1.08 to HK\$0.83, from HK\$0.60 to HK\$0.46 and from HK\$0.44 to HK\$0.34.
- (3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

Notes to the Financial Statements

For the year ended 31 December 2004

29. SHARE OPTION SCHEMES (continued)

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

- (4) The lapsed options were due to expiry or cessation of employment of participants with the Group.
- (5) No option was granted, exercised or cancelled during the year.

The exercise in full of the outstanding 43,485,000 share options at 31 December 2004 would, under the present capital structure of the Company, result in the issue of 43,485,000 additional shares for a total cash consideration, before expenses, of approximately HK\$14,785,000.

(B) Share option schemes of CASH

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted the share option scheme ("CASH New Option Scheme") to replace the share option scheme adopted on 29 March 1994 ("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 2004

29. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

- (iii) The maximum number of shares in respect of which options might be granted under the CASH New Option Scheme must not exceeded 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.



Notes to the Financial Statements

For the year ended 31 December 2004

29. SHARE OPTION SCHEMES (continued)

(B) Share option schemes of CASH (continued)

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

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

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

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

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Note	Number of options					
					outstanding as at 1/1/2003	granted in 2003	lapsed in 2003	outstanding as at 31/12/2003 and 1/1/2004	reallocated upon change of directorate	outstanding as at 31/12/2004
CASH Old Option Scheme	10/1/2000	16.000	10/1/2001-9/1/2003		500,000	-	(500,000)	-	-	-
	6/11/2000	5.400	16/5/2001-15/5/2003	(1)	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)	-	-	-
	2/5/2002	1.320	1/11/2002-31/10/2003	(1)	500,000	-	(500,000)	-	-	-
	2/12/2003	0.502	2/12/2003-30/11/2005		-	12,000,000	-	12,000,000	(2,000,000)	10,000,000
					14,250,000	12,000,000	(14,250,000)	12,000,000	(2,000,000)	10,000,000

Note:

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

Notes to the Financial Statements

For the year ended 31 December 2004

29. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite

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

- (i) The purpose was to provide incentives to:
 - award and retain the participants who have made contributions to the CASH Group; or
 - attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.
- (ii) The participants 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.
- (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.



Notes to the Financial Statements

For the year ended 31 December 2004

29. SHARE OPTION SCHEMES (continued)

(C) Share option schemes of Pricerite (continued)

- (v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of Pricerite and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the board of directors of Pricerite upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.
- (vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee to 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 2004

29. 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 31/12/2003		lapsed in 2003	granted in 2003	outstanding as at 31/12/2003 and adjusted on 2/3/2004		reallocated upon change of directorate	adjusted on 11/9/2004	lapsed in 2004	outstanding as at 31/12/2004
					1/1/2003	6/5/2003			1/1/2004	2/3/2004				
Pricerite Old Option Scheme	12/6/2001	4.200	16/6/2001-15/6/2003	(1)	7,200,000	(6,840,000)	(360,000)	-	-	-	-	-	-	-
	17/1/2002	4.200	1/2/2002-31/1/2004	(1)	53,000,000	(50,350,000)	(1,000,000)	-	1,650,000	-	-	-	(1,650,000)	-
Pricerite New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	(2)&(3)	-	-	-	2,000,000	2,000,000	8,000,000	-	1,333,334	(11,333,334)	-
	2/12/2003	0.316	1/12/2004-30/11/2005	(2)&(3)	-	-	-	500,000	500,000	2,000,000	(2,500,000)	-	-	-
					60,200,000	(57,190,000)	(1,360,000)	2,500,000	4,150,000	10,000,000	(2,500,000)	1,333,334	(12,983,334)	-

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 was adjusted from HK\$0.21 to HK\$4.20.
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004. The exercise price per share was adjusted from HK\$1.79 to HK\$0.358.
- (3) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in Pricerite with effect from 11 September 2004. The exercise price was adjusted from HK\$0.358 to HK\$0.316.

Notes to the Financial Statements

For the year ended 31 December 2004

30. 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\$1,903,000 (2003: HK\$1,453,000) and HK\$223,000 (2003: HK\$828,000) respectively for the year ended 31 December 2004.

Notes to the Financial Statements

For the year ended 31 December 2004

31. RELATED PARTY TRANSACTIONS

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

- (a) During the year, the Group transferred prepayment for advertising and telecommunication services of HK\$130,000 (2003: HK\$400,000) to a wholly-owned subsidiary of Pricerite for a cash consideration of HK\$130,000 (2003: HK\$400,000).
- (b) The Group paid interest on convertible note of approximately HK\$1,278,000 (2003: HK\$2,831,000) to a wholly-owned subsidiary of CASH. The interest was calculated at a rate of 2% per annum.
- (c) During the year, the Group received interest from margin financing of approximately HK\$736,000 (2003: HK\$870,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (d) During the year, the Group received interest from margin financing of approximately HK\$400,000 (2003: HK\$469,000) 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.
- (e) During the year, CASH acted as an underwriter in the rights issue of the Company without receiving any fee or underwriting commission.
- (f) During the year, the Group bought cash coupons of approximately HK\$101,000 (2003: nil) from a wholly-owned subsidiary of Pricerite at their face values.

Notes to the Financial Statements

For the year ended 31 December 2004

31. RELATED PARTY TRANSACTIONS (continued)

- (g) At 31 December 2004, the Group had amounts of approximately HK\$2,048,000 (2003: HK\$1,786,000) due from CASH and its wholly-owned subsidiaries. The amounts were unsecured, non-interest bearing and had no fixed repayment terms.
- (h) During the year ended 31 December 2003, the Group paid rental of HK\$960,000 to the Pricerite Group. The charges were calculated at the effective rate charged 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.
- (i) During the year ended 31 December 2003, the Group received advertising income of approximately HK\$990,000 from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (j) During the year ended 31 December 2003, the Group sold stored-value phonecards of approximately HK\$990,000 to a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.
- (k) During the year ended 31 December 2003, the Group sold a motor vehicle to the Pricerite Group at a consideration of HK\$250,000. The amount was charged at a price agreed between the parties.
- (l) During the year ended 31 December 2003, the Group received placing agent commission of approximately HK\$330,000 from CASH. The fee was calculated at 2% on the total proceeds from the placement received by CASH.

Notes to the Financial Statements

For the year ended 31 December 2004

32.COMMITMENTS

(a) Interest rate swap

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

(b) Underwriting commitment

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

33.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	
	2004 HK\$'000	2003 HK\$'000
Within one year	6,458	7,756
In the second to fifth year inclusive	10,609	6,926
	17,067	14,682

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 2004

34. 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 2004 amounted to approximately HK\$96,155,000 (2003: HK\$212,306,000).

Five Year Financial Summary

RESULTS

	2004 HK\$'000	Year ended 31 December			
		2003 HK\$'000 (restated) (Note)	2002 HK\$'000 (restated) (Note)	2001 HK\$'000 (restated) (Note)	2000 HK\$'000
Turnover	239,972	191,102	195,736	89,534	43,859
Profit (Loss) before taxation	22,052	11,058	(207,202)	(58,562)	(156,888)
Taxation	(350)	(134)	(3)	-	-
Profit (Loss) after taxation and before minority interests	21,702	10,924	(207,205)	(58,562)	(156,888)
Minority interests	(424)	(237)	-	-	-
Net profit (loss) attributable to shareholders	21,278	10,687	(207,205)	(58,562)	(156,888)

ASSETS AND LIABILITIES

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Property and equipment	20,725	29,501	48,547	73,839	36,815
Goodwill	4,933	5,903	-	100,629	-
Intangible assets	9,092	10,922	12,752	14,582	-
Other non-current assets	30,087	12,187	17,109	64,421	1,310
Current assets	963,338	990,098	560,042	799,319	239,397
Total assets	1,028,175	1,048,611	638,450	1,052,790	277,522
Current liabilities	748,027	805,193	466,251	610,202	39,530
Long term borrowings	-	56	244	749	-
Convertible notes	40,500	125,100	200,100	261,000	-
Interest payable on convertible notes	-	-	-	1,779	-
Minority interests	810	386	-	-	-
Total liabilities and minority interests	789,337	930,735	666,595	873,730	39,530
Net assets (liabilities)	238,838	117,876	(28,145)	179,060	237,992

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

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 30 May 2005, 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 2004.
2. To declare a final dividend.
3. 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.
4. 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.
5. 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;

Notice of Annual General Meeting

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

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

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

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

Notice of Annual General Meeting

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;
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.

Notice of Annual General Meeting

C. **THAT** conditional upon resolutions nos.5A and 5B 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.5B 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.5A above.

6. 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 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 2005



Notice of Annual General Meeting

Notes:

1. The Register of Members will be closed from 26 May 2005, Thursday, to 30 May 2005, Monday, (both days inclusive). In order to establish entitlements to the proposed final dividend and the attendance at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Standard Registrars Limited, at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 25 May 2005, Wednesday.
2. 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.
3. 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.
4. The biographical details of Mr Cheng Man Pan Ben, Dr Hui Ka Wah Ronnie and Ms Kwok Oi Kuen Joan Elmond, being Directors proposed to be re-elected at the forthcoming annual general meeting, are provided in the circular of the Company dated 31 March 2005.
5. A form of proxy for use at the meeting is enclosed.