

Chairman's Letter

Dear fellow shareholders,

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



Bankee P KWAN

Chairman

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

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

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

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

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

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

Yours sincerely,



Bankee P Kwan
Chairman