



CASH Financial Services Group Limited

2001 3Q Results

1 January to 30 September

CASH Financial Services Group Limited ("Company"), formally known as CASH on-line Limited, is listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") [GEM: 8122] in December 2000. The Company completed its acquisition of off-line financial services business from its parent company, Celestial Asia Securities Holdings Limited ("CASH") in September 2001 and is now an integrated financial services provider engaging in provision of traditional and electronic brokerage services, insurance and fund, investment banking service, corporate sales, institutional sales, research and market analysis, etc.

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This document, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief,: (i) *the information contained in this document is accurate and complete in all material respects and not misleading;* (ii) *there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

SUMMARY

- Turnover declined by 21% to HK\$9 million over the previous quarter and 28% to HK\$28 million compared with the last corresponding nine months ended 30 September 2000 due to continuous decline in the economy and investor confidence that was compounded with the terrorist attack on 11 September 2001.
- General and administration cost declined by 14% to HK\$20 million and 52% to HK\$70 million respectively compared with the previous quarter and the last corresponding nine months ended 30 September 2000 respectively from the cost control measures taken by management during the period.
- Loss before taxation increased by 11% over the previous quarter to HK\$13 million but reduced by 65% to HK\$43 million compared with the last corresponding nine months ended 30 September 2000.
- Proposed acquisition of the financial service business from CASH completed with a change in name of the Company to CASH Financial Services Group Limited.

RESULTS

The unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months and nine months ended 30 September 2001 together with the comparative figures for the last corresponding periods are as follows:

	Notes	Unaudited three months ended 30 September		Unaudited nine months ended 30 September	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	8,836	11,400	28,297	39,307
Cost of sales		(3,236)	(3,282)	(10,054)	(12,962)
Gross profit		5,600	8,118	18,243	26,345
Other revenue		1,255	5,813	8,430	15,268
Provision for impairment loss of investment securities		-	-	-	(15,600)
Write off of deposit for development of foreign exchange internet platform		-	-	-	(1,950)
Administrative expenses		(20,040)	(57,024)	(69,527)	(144,950)
Loss from operations		(13,185)	(43,093)	(42,854)	(120,887)
Finance costs		-	(22)	-	(48)
Loss before taxation		(13,185)	(43,115)	(42,854)	(120,935)
Taxation	3	-	-	-	-
Net loss attributable to shareholders		(13,185)	(43,115)	(42,854)	(120,935)
Loss per share	4	0.7 cent	2.2 cents	2.1 cents	6.2 cents

Notes:

1. Group reorganization and the basis of preparation

The Company was incorporated in Bermuda on 9 August 2000. Its ultimate holding company is CASH, which together with its subsidiaries other than members of the Group are hereinafter referred to as "CASH Group". Pursuant to a group reorganization ("Group Reorganization") to rationalize the structure of the Group in the preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group in August 2000. Details of the Group Reorganization are set out in the section headed "Corporate Reorganization" in appendix V of the prospectus issued by the Company dated 13 December 2000 ("Prospectus"). The shares in the Company have been listed on GEM since 15 December 2000.

The merger of the on-line and off-line financial services businesses was completed on 28 September 2001. The results of the off-line financial services business subsequent to the completion on 28 September 2001 will be included in the consolidated results of the Group for 2001.

The Company resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, these financial statements have been prepared on the merger accounting basis in accordance with the Statement of Standard Accounting Practice No. 27 "Accounting for Group Restructuring" issued by the Hong Kong Society of Accountants.

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover represents service income from the provision of electronic trading platforms for trading financial products and advertising income during the periods.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group incurred tax loss for each of the above periods.

No deferred tax asset has been recognized in the financial statements in respect of the tax losses available to offset future profit as it is uncertain that the tax losses will be utilized to offset future profit in the foreseeable future.

4. Loss per share

The calculation of the basic loss per share for the nine months period ended 30 September 2001 is based on the loss for the period of HK\$42,854,000 (2000: HK\$120,935,000) and on the weighted average number of 2,015,200,000 (2000: 1,966,243,796) shares that would have been in issue throughout the period on the assumption that the Group Reorganization had been completed as at 1 January 2000.

No diluted loss per share is presented as there was no diluting event in existence for the nine months ended 30 September 2000 and the diluting effect for the nine months ended 30 September 2001 would be anti-dilutive.

DIVIDEND

The board of directors ("Board") does not recommend payment of any dividend for the nine months ended 30 September 2001 (2000: Nil).

OPERATIONS REVIEW

The third quarter of 2001 saw continuous and significant decline in the global economy and financial markets. As a result, the adverse effect from the volatile market conditions and economic slowdown impacted adversely on the Group's financial services core business. The Board has monitored the state of the Hong Kong economy closely and made decisive short-term remedies to weather the current economic environment as well as long-term measures to ensure growth and future prosperity.

The directors' emphasis on building a robust systems infrastructure bore fruit during the third quarter. The real time automated credit and risk control modules meant that save from the decline in business volume from the impact on the markets in general caused by the terrorist attacks on 11 September 2001 in the United States, no other losses were suffered by the Group. Furthermore, the real time credit module, which is integral to the electronic commodities trading service placed the Group in a unique position to benefit from the switch in investor interests in equities to commodities. The commodities trading service enjoyed a 45% increase in revenue over the previous quarter.

In June, CASH and the Company proposed to its shareholders to merge the on-line and off-line financial services businesses. The directors are of the view that only operating as a unified "brick and mortar" operation will the financial services business reap the benefits of economies of scale as well as eliminate unnecessary duplications in infrastructure, human and capital resources. It will also enable the merged group to tap the broadest possible audience in the Hong Kong market. Combined, it will be in a position to offer more compelling product offerings with an even more efficient infrastructure. Both CASH and the Company had already received consent from the relevant regulatory bodies as well as their respective shareholders. Completion had taken place by the end of September and the directors believe that the combined group will bring with it a new level of enhanced competitiveness and profitability in the future.

Despite the difficult environment, product development continued throughout the period. On 9 October 2001, the Group launched its co-branded VISA card programme with the Bank of East Asia. This VISA card will play an increasingly important role in assisting in enlarging the Group's client database, broadening the financial services range and revenue streams as well as a device to further enhance the CASH Point customer loyalty programme.

The merger of the on-line and off-line financial services businesses was successfully completed on 28 September 2001 and a subsequent proposal for a change in name to CASH Financial Services Group Limited was passed.

With the successful completion of the acquisition of Pricerite Group Limited ("Pricerite") by CASH, management began a series of initiatives to look into cross selling and marketing opportunities through the Pricerite's store networks. With over 40 stores in Hong Kong, and its market share leadership in the furniture and household goods retail sector, the Group will continue to explore means to tap into this unique business ally to enhance distribution of its products and services. The cross selling initiative began in August 2001 with a two weeks long roadshow at the Taipo store of Pricerite.

The Hong Kong economy continued its downward spiral with increasing unemployment, decline in private and corporate investment as well as diminishing consumer spending. Downsizing efforts by local and international businesses during the period served to confirm the weakness in the present and future global economy. The Board believes that prudence and restraints are of utmost importance for the future of the Group.

With the efficient and robust systems infrastructure and the successful completion of the merger of the Company and the traditional financial services business of CASH, the directors conducted an in depth review and began a series of cost reduction measures including headcount reduction. The aim is to ensure that duplication in resources is removed to ensure that the enlarged group is in a position to benefit from the increased economy of scale.

The directors anticipate further hard times ahead in particular, during the second half of 2002 when brokerage commission will be deregulated. The directors expect to see substantial consolidation within the overcrowded market space leaving only those with solid and efficient infrastructure and financial strengths. Maintenance of cost leadership, capital reservation of a strong balance sheet will be the key objective as the entire financial services industry faces further decrease in revenue and profit margins. The management will continue to tighten cost control while continuing to extend and enhance the product offering on a cautious and selective basis.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2001, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

A. *The Company*

Interest in ordinary shares

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	-	-	1,086,619,945	53.92
Khoo Ken Wee**	3,000,000	1,057,152,090	-	52.61
Law Ka Kin Eugene	250,000	-	-	0.01
Law Ping Wah Bernard	5,424,982	-	-	0.27

* The shares are held as to 1,009,264,783 shares by Celestial Investment Group Limited ("CIGL") (a wholly-owned subsidiary of CASH), as to 47,887,307 shares by Cash Guardian Limited ("Cash Guardian") and as to 29,467,855 shares by Suffold Resources Limited ("Suffold"). Mr Kwan is deemed to be interested in all these shares as a result of his interests in CIGL through CASH and Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

** The shares are held as to 3,000,000 shares personally, as to 1,009,264,783 shares by CIGL and as to 47,887,307 shares by Cash Guardian. Mr Khoo is deemed to be interested in all these shares as a result of his interests in CIGL through CASH and Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 1,009,264,783 shares held by CIGL and 47,887,307 shares held by Cash Guardian.

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

(a) Interests in CASH

Ordinary shares

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	-	-	3,374,579,709	52.76
Khoo Ken Wee**	30,000,000	2,692,019,826	-	42.56
Law Ka Kin Eugene	2,500,000	-	-	0.04
Law Ping Wah Bernard	54,249,828	-	-	0.85

* The shares are held as to 2,692,019,826 shares by Cash Guardian and as to 682,559,883 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

** The shares are held as to 30,000,000 shares personally and as to 2,692,019,826 shares by Cash Guardian. Mr Khoo is deemed to be interested in the shares held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 2,692,019,826 shares held by Cash Guardian.

Warrants carrying rights to subscribe for shares in CASH at a subscription price of HK\$0.65 each (subject to adjustment) during the period from 20 July 2000 to 31 July 2002 (both days inclusive)

Name	Amount of warrants of CASH beneficially held		
	Personal (HK\$)	Corporate (HK\$)	Other Interest (HK\$)
Kwan Pak Hoo Bankee*	-	-	159,976,285.30
Khoo Ken Wee**	1,950,000.00	144,876,749.55	-
Law Ka Kin Eugene	162,500.00	-	-
Law Ping Wah Bernard	3,526,238.30	-	-

* The amount of warrants are held as to HK\$144,876,749.55 by Cash Guardian and as to HK\$15,099,535.75 by Suffold. Mr Kwan is deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

** The amount of warrants are held as to HK\$1,950,000.00 personally and as to HK\$144,876,749.55 by Cash Guardian. Mr Khoo is deemed to be interested in the warrants held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interest held by Mr Kwan and Mr Khoo have taken into account the HK\$144,876,749.55 amount of warrants held by Cash Guardian.

(b) Interests in Pricerite

Ordinary shares

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	-	-	458,144,099	66.18
Khoo Ken Wee*	-	458,144,099	-	66.18

* This refers to the same number of 435,132,000 shares held by CIGL (a wholly-owned subsidiary of CASH) and 23,012,099 shares held by CASH. Both Mr Kwan and Mr Khoo are deemed to be interested in these shares as a result of their interests in CIGL through CASH as disclosed in the "Substantial Shareholders" below.

Save as disclosed above, as at 30 September 2001, none of the directors and chief executive of the Company had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the share option scheme of the Company adopted on 20 November 2000, certain directors of the Company were granted share options to subscribe for shares in the Company at a consideration of HK\$1.00 each, details as follows:

Name	Date of share options accepted	Number of share options granted and outstanding as at 30 September 2001	Exercise period	Exercise price per share HK\$
Law Ka Kin Eugene	29/3/2001	25,000,000	1/10/2001 – 30/9/2004	0.11
Wong Kin Yick Kenneth	29/3/2001	20,000,000	1/10/2001 – 30/9/2004	0.11
Miao Wen Hao Felix	29/3/2001	15,000,000	1/10/2001 – 30/9/2004	0.11
Law Ping Wah Bernard	29/3/2001	20,000,000	1/10/2001 – 30/9/2004	0.11

Save as disclosed above, during the nine months ended 30 September 2001, none of the directors and chief executive of the Company nor any of their spouse or children under 18 was granted or holding options to subscribe for shares in the Company (within the meaning of the SDI Ordinance), nor had exercised such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of Shares	Shareholding %
CASH (Notes 1 & 4)	1,009,264,783	50.08
Kwan Pak Hoo Bankee (Notes 2 & 4)	1,086,619,945	53.92
Khoo Ken Wee (Notes 3 & 4)	1,060,152,090	52.61
Yasumitsu Shigeta (Note 5)	374,000,000	18.56

Notes:

- (1) The 1,009,264,783 shares are held by CIGL which is a wholly owned subsidiary of CASH. CASH is deemed to be interested in the shares held by CIGL.
- (2) The shares are held as to 1,009,264,783 shares by CIGL, as to 47,887,307 shares by Cash Guardian and as to 29,467,855 shares by Suffold. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 42.09% by Cash Guardian (which is 60% beneficially owned by Jeffnet Inc) and 10.67% by Suffold (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which are held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan is deemed to be interested in the aggregate shares held by CIGL, Cash Guardian and Suffold.
- (3) The shares are held as to 3,000,000 shares personally by Mr Khoo, as to 1,009,264,783 shares by CIGL and as to 47,887,307 shares by Cash Guardian. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 42.09% by Cash Guardian (which is 40% beneficially owned by Mr Khoo) and 0.47% by Mr Khoo personally. Mr Khoo is deemed to be interested in the aggregate shares held by CIGL and Cash Guardian pursuant to the SDI Ordinance.
- (4) For avoidance of doubt, the above interests held by CASH, Mr Kwan and Mr Khoo have taken into account the 1,009,264,783 shares held by CIGL and the above interests held by Mr Kwan and Mr Khoo have also taken into account of the 47,887,307 shares held by Cash Guardian.
- (5) This refers to the 374,000,000 shares held by Hikari Tsushin, Inc. Mr Yasumitsu Shigeta, through his personal name, family members and Hikari Power Limited, a company wholly-owned by Mr Yasumitsu Shigeta, controls more than one third of the voting power at a general meeting of members of Hikari Tsushin, Inc. Mr Yasumitsu Shigeta is deemed to be interested in all the shares held by Hikari Tsushin, Inc pursuant to the SDI Ordinance.

Save as disclosed above, the Directors are not aware of any other person having an interest in the shares representing 10% or more of the issued share capital of the Company.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), neither BNP nor its directors or employees or associates (as referred to in note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the share capital of the Company as at 30 September 2001.

Pursuant to the agreement dated 10 December 2000 entered into between the Company and BNP, BNP will receive a fee for acting as the Company's sponsor for the period from 10 December 2000 to 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the nine months ended 30 September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Law Ka Kin Eugene
Vice Chairman

Hong Kong, 8 November 2001