



CASH

FINANCIAL SERVICES GROUP

時富金融服務集團



2002 1Q Results
1 January to 31 March

CASH Financial Services Group Limited

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.

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This document, for which the directors of CASH Financial Services Group Limited ("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

Financial performance

- Turnover increased dramatically by 442.9% to HK\$58.8 million, mainly due to the acquisition of traditional brokerage business from the parent company.
- Operating expenses increased by only 150.7% to HK\$66.0 million, mainly due to the cost rationalization and scale of economy effect.
- Net loss substantially reduced by 67.0% to HK\$5.9 million.

Business development

- Significant progress in derivative products trading services.
- Partnered with Prudential to develop financial planning services.

RESULTS

The unaudited consolidated results of the Company and its subsidiaries ("Group") for the three months ended 31 March 2002 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited three months ended 31 March	
		2002 HK\$'000	2001 HK\$'000
Turnover	2	58,810	10,833
Other revenue	2	1,291	641
Cost of provision of trading platform services		–	(2,938)
Depreciation and amortisation		(7,394)	(2,581)
Finance costs		(2,681)	–
Other operational and administrative expenses		(22,083)	(14,181)
Salaries, allowance and commission		(33,815)	(9,552)
Loss before taxation		(5,872)	(17,778)
Taxation	3	–	–
Net loss attributable to shareholders		(5,872)	(17,778)
Loss per share	4		
- Basic		0.3 cent	0.9 cent
- Diluted		N/A	N/A

Notes:

1. Basis of preparation

The principal accounting policies adopted in preparing the unaudited consolidated results conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

	Unaudited three months ended 31 March	
	2002 HK\$'000	2001 HK\$'000
Fees and commission income	48,747	–
Interest income	10,063	2,573
Services income	–	8,063
Advertising income	–	197
	58,810	10,833

Interest income of HK\$2,573,000 for the period ended 31 March 2001 has been reclassified to turnover from other revenue.

3. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred tax losses for each of the above periods.

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

4. Loss per share

The calculation of the basic loss per share for the three months period ended 31 March 2002 is based on the loss for the period of HK\$5,872,000 (2001: HK\$17,778,000) and on the weighted average number of 2,015,200,000 (2001:2,015,200,000) shares in issue throughout the period.

No diluted loss per share is presented as there was no diluting event in existence for the three months ended 31 March 2001 and the diluting effect for the three months ended 31 March 2002 would be anti-dilutive.

DIVIDEND

The board of directors ("Board") does not recommend payment of any dividend for the three months ended 31 March 2002 (2001: Nil).

REVIEW AND OUTLOOK

Our consolidated turnover for the first quarter of 2002 was increased dramatically by 442.9% to HK\$58.8 million, while operating expenses increased only by 150.7% to HK\$66.0 million. These increases were mainly attributable to the acquisition of the traditional brokerage business from our parent company the CASH Group last year. As a result of the differential between the increase in revenue and operating expenses, our loss from operations diminished significantly by 67.0% to HK\$5.9 million, demonstrating the effect of the rationalisation and cost reduction imperatives implemented throughout the course of 2001.

Although the global economy showed increasing signs of a recovery, investment appetite continued to be weak as fallouts such as the Enron debacle and poor corporate results from last year's recession continue to undermine investors' confidence. Furthermore, the poor market environment in 2001 led to the consolidation of pure Internet securities brokerages which began during the first quarter of this year.

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

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

With China's accession into WTO, we focused significant efforts during the period to develop our expertise and business reach within China, culminating in the inauguration of our CASH Liaoning Investment Consultant joint venture ("CLIC") with Liaoning Securities on 23 April 2002. This together with the teams under development in our Shanghai liaison office and our China S&T CASH Capital joint venture in Shenzhen will spearhead our mainland business strategy.

Products and services

On the securities dealing and brokerage front, we successfully developed the requisite systems and gained approval from the Hong Kong Stock Exchange to act as a market maker for warrants trading in Jan 2002. As a result, we became a designated market maker for premier partners such as KBC and Barclays. As a partner to these warrant specialists, we actively participated in the launch of this new Stock Exchange product with great success.

We continued to build and develop our international trading hub through link-ups with regional and international brokerage partners. The market coverage for our securities trading services further broadened to cover stocks listed in Taiwan, Korea, Singapore and London, and as well as other futures and options products. Through these new partnerships, we also began to offer fixed-income trading service covering a wide range of bonds including US government treasury bonds, perpetual corporate bonds, Hong Kong and US corporate bonds.

We further extended our electronic insurance distribution capability into a “click-and-mortar” business model by forming a strategic partnership with Prudential Assurance. This partnership will focus on providing financial planning services and distributing general and life insurance products to our client base as well as Pricerite’s customer base.

Marketing

Our major focus in marketing for the period was to leverage on our brand strength to cross-sell into our enlarged client base as well as to tap into Pricerite’s retail customer coverage through below-the-line marketing initiatives. These include the 82 road shows co-organised with the Bank of East Asia and Pricerite for the promotion of our CASH credit cards as well as the roll-out of permanent hotline-connected product information counters across the top 15 stores in the Pricerite store network.

Leveraging on the strength of our electronic commodities trading platform, we implemented a tactical product marketing campaign for promotion of the Group’s commodities trading service. Responses from the investment public were encouraging with significantly improved trading volume, market share and revenue. The number of internet commodities trading accounts increased by 3.2% and our March commodities trading commission increased by 45% over February after only one month of focused advertising and promotion.

Greater China

To capitalise on China's accession into the WTO, we focused significant resources to position ourselves for geographic expansion into the mainland. Our initial groundwork was successfully completed culminating in the launch of our CLIC joint venture.

Liaoning Securities, formed in 1988, is one of the oldest securities firm in the mainland. It holds memberships at the Shanghai and the Shenzhen stock exchanges. The company operates a network of 42 branches covering Liaoning province as well as other economically prosperous regions. The company enjoys a client base of over 300,000 clients.

The company began to arrange and underwrite numerous securities and fixed-income fund raising programmes in 1993 and became the first securities company to act as a lead underwriter. In 1998 Liaoning Securities began to offer financial advisory services and acts as financial advisors for numerous medium to large scale mainland enterprises. It is also mandated to provide financial advisory services to provincial and local municipal governments on asset restructuring and capital management.

Our Beijing operation will focus mainly on providing financial advisory services to mainland enterprises by tapping into the corporate finance expertise of Liaoning Securities and ours at the beginning. Together with our teams in our Shanghai liaison office and in China S&T CASH Capital in Shenzhen, CLIC completes the trident of physical presence that constitutes our future business development strategy in the mainland. We aim to leverage on our rapidly developing corporate finance group and institutional placing capability to pursue our goal to act as an importer of international investment funds for mainland-based private enterprises.

To increase brand penetration, we began our strategic road show and exhibition initiative in mainland cities. This included participation in the Shanghai International Exhibition for On-line Securities Services as well as the First China Securities Exhibition in Guangzhou, China.

To pave way for the increasing role mainland investors would play in the Hong Kong market, we also began the development of a simplified Chinese version of www.cashon-line.com and our electronic trading platform.

Looking ahead

We are confident that after our corporate restructuring and rationalisation, we are operating from a cost and resource base that will enable us to remain robust and competitive in the local market as well as support our mainland expansion strategy. Our first quarter results have shown the beginning of the consolidation and cost reduction effect from our acquisition last year. We anticipate that further cost reduction and economy of scale benefits will be realised over the next few quarters. However, even if the market environment continues to improve, we will maintain our cautious and conservative views.

With major banking groups initiating a fresh round of commission fee discount war, together with extended trading hours, more stringent financial resources rules, as well as the recently enacted Securities and Futures Ordinance coming into effect in the near term, we have little doubt that further consolidation in the industry will ensue. Moving forward, we shall continue to diversify our products and services hence our revenue stream to reduce the cyclical and regulatory impact on our overall revenue. While the near future will remain challenging, we are confident that our rationalisation efforts of 2001 and the preservation of a strong financial base place us in a unique position to grow and emerge a stronger company.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, 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:

1. Interest in shares or debentures

A. The Company

Interests in ordinary shares

Name	Number of shares beneficially held		
	Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	–	1,086,619,945*	53.92
Law Ka Kin Eugene	250,000	–	0.01
Law Ping Wah Bernard	5,424,982	–	0.27
Khoo Ken Wee	3,000,000	–	0.15
Kwok Oi Kuen Joan Elmond	400,000	–	0.02

* The shares are held as to 1,009,264,783 shares by Celestial Investment Group Limited ("CIGL") (a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH")) and as to 77,355,162 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan is deemed to be interested in all these shares as a result of his interests in CASH and Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

(a) Interests in CASH

Ordinary shares

Name	Number of shares beneficially held		
	Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	–	3,200,225,537*	50.05
Law Ka Kin Eugene	2,500,000	–	0.04
Law Ping Wah Bernard	83,358,000	–	1.30
Khoo Ken Wee	170,000,000	–	2.66
Kwok Oi Kuen Joan Elmond	52,164,000	–	0.82

* The 3,200,225,537 shares are held by Cash Guardian. Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

Warrants carrying rights to subscribe for shares of HK\$0.10 each 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 beneficially held	
	Personal (HK\$)	Other interest (HK\$)
Kwan Pak Hoo Bankee	–	159,976,285.30*
Law Ka Kin Eugene	162,500.00	–
Law Ping Wah Bernard	3,526,238.30	–
Khoo Ken Wee	1,950,000.00	–
Kwok Oi Kuen Joan Elmond	260,000.00	–

* The amount of warrants is held as to HK\$144,876,749.55 by Cash Guardian and as to HK\$15,099,535.75 by Suffold Resources Limited ("Suffold"). Cash Guardian and Suffold are both 100% beneficially owned by Jeffnet Inc. Details of the ultimate beneficial interest of Jeffnet Inc are disclosed in the "Substantial Shareholders" below. Mr Kwan is deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffold.

(b) Interests in ordinary shares in Pricerite Group Limited

Name	Number of shares beneficially held	
	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	1,374,432,297*	66.18

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

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

2. Rights to acquire shares in the Company

Pursuant to the share option scheme of the Company, certain Directors of the Company were granted options to subscribe for ordinary shares in the Company at a total consideration of HK\$1. Details of options in the Company held by the Directors of the Company and which remained outstanding as at 31 March 2002 were as follows:

Name	Date of grant	Number of options granted and outstanding as at 31 March 2002	Exercise period	Exercise price per share (HK\$)
Law Ka Kin Eugene	26/3/2001	25,000,000	1/10/2001 - 30/9/2004	0.11
Wong Kin Yick Kenneth	26/3/2001	20,000,000	1/10/2001 - 30/9/2004	0.11
Miao Wen Hao Felix	26/3/2001	15,000,000	1/10/2001 - 30/9/2004	0.11
Law Ping Wah Bernard	26/3/2001	20,000,000	1/10/2001 - 30/9/2004	0.11
		<u>80,000,000</u>		

Save as disclosed above, during the three months ended 31 March 2002, none of the Directors or chief executive of the Company or any of their spouse or children under 18 years of age was granted or holding options to acquire shares in or debentures of the Company.

SUBSTANTIAL SHAREHOLDERS

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

Name	Number of shares	Shareholding (%)
Kwan Pak Hoo Bankee (Note 1)	1,086,619,945	53.92
Jeffnet Inc (Note 1)	1,086,619,945	53.92
Cash Guardian (Note 1)	1,086,619,945	53.92
CASH (Note 1)	1,009,264,783	50.08
CIGL (Note 1)	1,009,264,783	50.08
Yasumitsu Shigeta (Note 2)	374,000,000	18.56
Hikari Power Limited (Note 2)	374,000,000	18.56
Hikari Tsushin Inc (Note 2)	374,000,000	18.56

Notes:

(1) The shares are held as to 1,009,264,783 shares by CIGL and as to 77,355,162 shares by Cash Guardian. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 50.05% by Cash Guardian (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, Jeffnet Inc and Cash Guardian are deemed to be interested in all the shares held by CIGL through CASH and Cash Guardian.

(2) This refers to the same number of 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 Shegita and Hikari Power Limited are deemed to be interested in all the shares held by Hikari Tsushin Inc pursuant to the SDI Ordinance.

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

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 31 March 2002.

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 three months ended 31 March 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 9 May 2002