



CASH Financial Services Group Limited

2003 1Q Results

1 January to 31 March

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.

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.

RESULTS

The unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months ended 31 March 2003 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited three months ended 31 March	
		2003 HK\$'000	2002 HK\$'000
Turnover	1	30,208	58,810
Other revenue		821	1,291
Salaries, allowance and commission		(19,842)	(33,815)
Other operational and administrative expenses		(14,294)	(22,083)
Finance costs		(1,481)	(2,681)
Depreciation and amortisation		(5,445)	(7,394)
Loss on disposal of property and equipment		(111)	–
Loss before taxation		(10,144)	(5,872)
Taxation	2	–	–
Net loss attributable to shareholders		<u>(10,144)</u>	<u>(5,872)</u>
Loss per share	3		
– Basic		<u>(9.8) cents</u>	<u>(5.8) cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. Turnover

	Unaudited three months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Fees and commission income	30,480	48,747
Interest income	2,894	10,063
Loss on trading of securities, options and futures	(3,166)	–
	<u>30,208</u>	<u>58,810</u>

2. Taxation

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

3. Loss per share

The calculation of basic loss per share for the three months ended 31 March 2003 together with the comparative figures for 2002 is based on the following data:

	Unaudited three months ended 31 March	
	2003	2002
	HK\$'000	HK\$'000
Net loss attributable to shareholders	<u>10,144</u>	<u>5,872</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>103,814,964</u>	<u>100,759,408</u>

The weighted average number of ordinary shares for the three months ended 31 March 2002 for the purposes of basic loss per share has been adjusted for the share consolidation which took effect on 26 April 2002.

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

4. Reserves

	Unaudited three months ended 31 March 2003				2002
	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of the three months period	–	289,764	(327,985)	(38,221)	(22,460)
Premium arising from exercise of convertible note	72,500	–	–	72,500	–
Net loss for the period	–	–	(10,144)	(10,144)	(5,872)
End of the three months period	72,500	289,764	(338,129)	24,135	(28,332)

DIVIDEND

The board of Directors ("Board") does not recommend payment of any dividend for the three months ended 31 March 2003 (2002: Nil).

REVIEW AND OUTLOOK

Our consolidated turnover for the first quarter of 2003 decreased by 48.6% to HK\$30.2 million as compared with the corresponding period of last year. The Iraqi War as well as the outbreak of atypical pneumonia exerted immediate and significant impact on consumer spending and hence investor sentiments. On the positive side, our operating expenses in the period decreased by 38.9% to HK\$34.1 million as compared to the first quarter of last year. This is a result of the cumulative effects of the continuous rationalisation and cost reduction imperatives implemented throughout the past two years.

In anticipation for continuing challenges posed by the regulatory reforms including the removal of minimum commissions, our Directors reviewed and concluded that brokerage services provided through the traditional brokerage branch model are no longer viable. As such, we announced during the first quarter of this year our plan to rationalise our branch network. Our target is to reduce physical presence to two customer service centres plus our Millennium Plaza Headquarters. This is in line with our stated objective of preserving financial strength to weather the challenging environments.

Looking forward, the local business environment will continue to tax brokerage firms operating in Hong Kong. Given the unprecedented level of uncertainty and anxiety globally, it would be reckless to hold an optimistic view for the future. However, we remain confident that our cost structure has reached a level where our Group can and will remain viable through forthcoming hurdles and retain our market position as one of the top financial services firms in Hong Kong.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, 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. Ordinary shares in the Company

Name	Number of shares beneficially held Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	75,463,239*	60.01

- * The shares were held by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("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.

B. Associated corporations (within the meaning of SDI Ordinance)*(a) Ordinary shares in CASH*

Name	Number of shares beneficially held		Shareholding (%)
	Personal	Other interest	
Kwan Pak Hoo Bankee	–	156,952,376*	51.38
Law Ping Wah Bernard	5,096,200	–	1.67
Law Ka Kin Eugene	125,000	–	0.04
Kwok Oi Kuen Joan Elmond	2,700,000	–	0.88

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

(b) Ordinary shares in Pricerite Group Limited

Name	Number of shares beneficially held		Shareholding (%)
	Other interest		
Kwan Pak Hoo Bankee	1,419,432,297*		68.35

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

Save as disclosed above, as at 31 March 2003, 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 schemes of the Company, certain Directors of the Company were granted share options to subscribe for shares in the Company, details of which as at 31 March 2003 were as follows:

Name	Date of grant	Number of options outstanding	Exercise period	Exercise price per share (HK\$)
Law Ping Wah Bernard	26/3/2001	1,000,000	1/10/2001 - 30/9/2004	2.20
Law Ka Kin Eugene	26/3/2001	1,250,000	1/10/2001 - 30/9/2004	2.20
Wong Kin Yick Kenneth	26/3/2001	1,000,000	1/10/2001 - 30/9/2004	2.20
Miao Wen Hao Felix	26/3/2001	750,000	1/10/2001 - 30/9/2004	2.20
		4,000,000		

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, 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)	75,463,239	60.01
Jeffnet Inc (Note 1)	75,463,239	60.01
Cash Guardian (Note 1)	75,463,239	60.01
CASH (Note 1)	75,463,239	60.01
CIGL (Note 1)	75,463,239	60.01
Yasumitsu Shigeta (Note 2)	18,700,000	14.87
Hikari Power Limited (Note 2)	18,700,000	14.87
Hikari Tsushin Inc (Note 2)	18,700,000	14.87

Notes:

- (1) The shares were held by CIGL, a wholly owned subsidiary of CASH. CASH was owned as to approximately 51.38% 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 SDI Ordinance, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH.
- (2) This refers to the same number of 18,700,000 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, controlled more than one third of the voting power at a general meeting of members of Hikari Tsushin Inc. Mr Yasumitsu Shigeta and Hikari Power Limited were deemed to be interested in all the Shares held by Hikari Tsushin Inc pursuant to the SDI Ordinance.

Save as disclosed above, at 31 March 2003, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the three months ended 31 March 2003, 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 2003