

CASH Financial Services Group Limited
2004 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.

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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.*

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CASH Financial Services Group Limited

Summary

- Turnover soared 141.8% to HK\$73.0 million amid unabated growth momentum.
- Recorded a net profit attributable to shareholders of HK\$20.8 million, re-affirming our successful turnaround and a promising profit trend.
- Registered a remarkable 65% return on average equity, annualised for the period under review.
- Continuing pursuit of product diversification and cost leadership.

RESULTS

The unaudited consolidated results of the Company and its subsidiaries ("Group") for the three months ended 31 March 2004 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited three months ended 31 March	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	73,036	30,208
Other revenue		2,051	821
Salaries, allowance and commission		(33,109)	(19,842)
Other operational and administrative expenses		(14,097)	(14,294)
Finance costs		(2,170)	(1,481)
Depreciation and amortisation		(4,529)	(5,445)
Loss on disposal of property and equipment		–	(111)
Profit (Loss) before taxation		21,182	(10,144)
Taxation	3	–	–
Profit (Loss) after taxation and before minority interest		21,182	(10,144)
Minority interest		(382)	–
Net profit (loss) attributable to shareholders		20,800	(10,144)
Earnings (Loss) per share	4		
– Basic		5.5 cents	(5.7) cents
– Diluted		5.5 cents	N/A

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Notes:

(1) Principal accounting policies and basis of preparation

The Company has adopted the Hong Kong Financial Reporting Standard issued by the Hong Kong Society of Accountants in preparing the unaudited consolidated results.

The accounting policies and methods of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2003.

(2) Turnover

	Unaudited three months ended 31 March	
	2004 HK\$'000	2003 HK\$'000
Fees and commission income	60,485	30,480
Interest income	8,191	2,894
Profit (Loss) on trading of securities, options and futures	4,360	(3,166)
	73,036	30,208

(3) Taxation

No provision for Hong Kong profits tax for the period in 2004 has been made because the estimated assessable profits for the group companies were offset against by the respective tax losses brought forward.

No provision for Hong Kong profits tax for the period in 2003 has been made as the group companies incurred tax losses for the period.

No deferred tax asset in respect of tax losses has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(4) Earnings (Loss) per share

The calculation of basic and diluted earnings (loss) per share for the three months ended 31 March 2004 together with the comparative figures for the prior period is based on the following data:

	Unaudited three months ended 31 March	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit (loss) attributable to shareholders	20,800	(10,144)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	377,278,224	179,475,310
Effect of dilutive potential ordinary shares assumed exercise of share options	3,239,779	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	380,518,003	179,475,310

The weighted average number of ordinary shares for the three months ended 31 March 2003 for the purpose of basic loss per share has been adjusted for the rights issue which took effect on 25 November 2003.

No diluted loss per share for the period in 2003 has been presented because the exercise prices of the options and the conversion price of the convertible note of the Company were higher than the average market price of the Company's shares for the period.

(5) Reserves

	Unaudited three months ended 31 March			2003
	2004			
	Contributed surplus	Accumulated losses	Total	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the three months period	186,377	(106,229)	80,148	(38,221)
Premium arising from exercise of convertible note	–	–	–	72,500
Net profit (loss) for the period	–	20,800	20,800	(10,144)
End of the three months period	186,377	(85,429)	100,948	24,135

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DIVIDEND

The board of Directors ("Board") does not recommend payment of any dividend for the three months ended 31 March 2004 (2003: Nil).

REVIEW AND OUTLOOK

During the first quarter, consumer confidence and investor sentiment remained strong, supporting the stock market to achieve its yearlong growth. Coupled with the persistent pursuit of our strategy on product diversification and focus on cost leadership, the growth momentum of our business continued unabated in the first quarter of the year.

Turnover soared 141.8% to HK\$73.0 million, as compared with the corresponding period last year. As a result, the Group has been able to record a net profit attributable to shareholders of HK\$20.8 million, representing a basic earnings per share of 5.5 cents for the quarter under review. As of the end of the quarter, the Group's net asset value stood at HK\$138.7 million, a 17.6% increase from the HK\$117.9 million as of yearend 2003. On an annualised basis, our first quarter's net earnings translate into a remarkable return on average equity of almost 65%. This positive performance has not only reaffirmed our successful turnaround, but also demonstrated effective employment of capital and a sustainable profit trend going forward.

While we remain vigilant on keeping our cost structure lean and effective, we persevere on capitalising on opportunities to further diversify our revenue mix, while developing our pillar businesses in brokerage, wealth management and financial planning, and investment banking. For the quarter under review, our turnover was made up of 88.4% from fee and commission income from our brokerage, and wealth management and financial planning businesses, with the remaining 9.4% and 2.2% respectively from interest and investment banking.

To further enhance our services and with a view to meet clients investment and wealth management needs, we upgraded our Causeway Bay client service centre to a wealth management centre in March 2004, offering a full range of short- to long-term investment products.

During the same period, we put forward a rights issue proposal to raise approximately HK\$101.9 million (before expenses), with an aim to further strengthen our capital base, and to ensure that the Group is in the best position to capture opportunities in a now more buoyant market.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 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 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	–	193,413,717*	51.27
Wong Kin Yick Kenneth	Beneficial owner	620,000	–	0.16
		<u>620,000</u>	<u>193,413,717</u>	<u>51.43</u>

* 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.

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(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 outstanding as at 31 March 2004 and January 2004	Percentage to issued shares as at 31 March 2004 (%)
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.60		1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		2,450,000	0.65
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	1.08	(1)	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		1,250,000	0.33
Law Ka Kin Eugene	2/12/2003	2/12/2003 – 30/11/2005	0.44		2,450,000	0.65
	26/3/2001	1/10/2001 – 30/9/2004	1.08	(1)	2,550,000	0.68
Wong Kin Yick Kenneth	3/11/2003	3/11/2003 – 31/10/2004	0.60		1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		2,450,000	0.65
Kwok Oi Kuen Joan Elmond	26/3/2001	1/10/2001 – 30/9/2004	1.08	(1)	2,040,000	0.54
	3/11/2003	3/11/2003 – 31/10/2004	0.60		1,250,000	0.33
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.44		2,450,000	0.65
	26/3/2001	1/10/2001 – 30/9/2004	1.08	(1)	1,530,000	0.41
	3/11/2003	3/11/2003 – 31/10/2004	0.60		1,250,000	0.33
	2/12/2003	2/12/2003 – 30/11/2005	0.44		2,450,000	0.65
					30,360,000	8.05

Notes:

- (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 12 months from the commencement of the exercise period.
- (2) No option was granted, exercised or cancelled during the period.

(c) Long positions in the underlying shares – convertible note

Name	Date of convertible note	Exercise period	Conversion price per share (HK\$)	Number of underlying shares as at 31 March 2004	Percentage to issued shares as at 31 March 2004 (%)
Kwan Pak Hoo Bankee	28/9/2001	28/9/2001 – 31/12/2006	1.47	85,102,040	22.56

Note: The convertible note in the outstanding amount of HK\$125,100,000 was held by a subsidiary of 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 as disclosed in the "Substantial Shareholders" below.

(d) 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 March 2004 (%)
Kwan Pak Hoo Bankee	193,413,717	88,802,040	282,215,757	74.81
Law Ping Wah Bernard	-	5,740,000	5,740,000	1.52
Law Ka Kin Eugene	-	6,250,000	6,250,000	1.66
Wong Kin Yick Kenneth	620,000	5,740,000	6,360,000	1.68
Kwok Oi Kuen Joan Elmond	-	3,700,000	3,700,000	0.98
Miao Wen Hao Felix	-	5,230,000	5,230,000	1.39
	<u>194,033,717</u>	<u>115,462,040</u>	<u>309,495,757</u>	<u>82.04</u>

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*	44.88
Law Ping Wah Bernard	Beneficial owner	5,096,200	-	1.39
Law Ka Kin Eugene	Beneficial owner	125,000	-	0.03
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	-	0.74
Cheng Shu Shing Raymond	Beneficial owner	1,000,000	-	0.27
		<u>8,921,200</u>	<u>164,028,376</u>	<u>47.31</u>

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options	Percentage
				outstanding as at 1 January 2004 and 31 March 2004	to issued shares as at 31 March 2004
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.82
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.82
Law Ka Kin Eugene	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	0.27
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	0.27
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.82
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	0.27
				12,000,000	3.27

(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 March 2004
Kwan Pak Hoo Bankee	164,028,376	3,000,000	167,028,376	45.70
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	2.21
Law Ka Kin Eugene	125,000	1,000,000	1,125,000	0.30
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.27
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.56
Miao Wen Hao Felix	–	1,000,000	1,000,000	0.27
Cheng Shu Sing Raymond	1,000,000	–	1,000,000	0.27
	172,949,576	12,000,000	184,949,576	50.58

2. *Pricerite Group Limited ("Pricerite")*

(a) Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	357,258,070*	67.0

* The shares were held as to 354,858,070 shares by CIGL and its subsidiaries and as to 2,400,000 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\$)	Note	Number of options			Percentage to issued shares	
					outstanding as at 1 January 2004	lapsed during the period	adjusted on 2 March 2004 (Note 1)	outstanding as at 31 March 2004	as at 31 March 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	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
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	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	500,000	-	2,000,000	2,500,000	0.47
					<u>4,150,000</u>	<u>(1,650,000)</u>	<u>10,000,000</u>	<u>12,500,000</u>	<u>2.35</u>

Note:

- (1) The number and the exercise price of options which remain outstanding on 2 March 2004 have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004.

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(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 March 2004 (%)
Kwan Pak Hoo Bankee	357,258,070	5,000,000	362,258,070	67.94
Law Ping Wah Bernard	–	5,000,000	5,000,000	0.94
Miao Wen Hao Felix	–	2,500,000	2,500,000	0.47
	<u>357,258,070</u>	<u>12,500,000</u>	<u>369,758,070</u>	<u>69.35</u>

Save as disclosed above, as at 31 March 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

Details of share options to subscribe for shares in the Company granted to participants under the share option schemes of the Company during the three months ended 31 March 2004 were as follows:

Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options		
				outstanding as at 1 January 2004	lapsed during the period (Note 3)	outstanding as at 31 March 2004
Directors						
26/3/2001	1/10/2001 – 30/9/2004	1.08	(1)&(2)	8,160,000	–	8,160,000
3/11/2003	3/11/2003 – 31/10/2004	0.60	(1)	7,500,000	–	7,500,000
2/12/2003	2/12/2003 – 30/11/2005	0.44	(1)	14,700,000	–	14,700,000
				<u>30,360,000</u>	<u>–</u>	<u>30,360,000</u>
Employees						
26/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	2,040,000	–	2,040,000
27/3/2001	1/10/2001 – 30/9/2004	1.08	(2)	754,800	(20,400)	734,400
3/11/2003	3/11/2003 – 31/10/2004	0.60		5,000,000	–	5,000,000
2/12/2003	2/12/2003 – 30/11/2005	0.44		4,900,000	–	4,900,000
2/12/2003	1/6/2004 – 31/5/2006	0.44	(2)	17,750,000	(700,000)	17,050,000
				<u>30,444,800</u>	<u>(720,400)</u>	<u>29,724,400</u>
				<u>60,804,800</u>	<u>(720,400)</u>	<u>60,084,400</u>

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".
- (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 cessation of employment of participants with the Group.
- (4) No option was granted, exercised or cancelled during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 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	193,413,717	51.27
Cash Guardian (Note 1)	Interest in a controlled corporation	193,413,717	51.27
CASH (Note 1)	Interest in a controlled corporation	193,413,717	51.27
CIGL (Note 1)	Beneficial owner	193,413,717	51.27
Mrs Nina Wong (Note 2)	Interest in a controlled corporation	23,255,370	6.16
Hampstead Trading Limited (Note 2)	Beneficial owner	21,568,000	5.72

Notes:

- (1) The shares were held by CIGL, a wholly-owned subsidiary of CASH. CASH was owned as to approximately 44.88% 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 Pak Hoo Bankee. 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 23,255,370 shares were held as to 21,568,000 shares by Hampstead Trading Limited and 1,687,370 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.

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Save as disclosed above, as at 31 March 2004, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% 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 2004, 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

The Directors as at the date hereof are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Law Ka Kin Eugene, Mr Wong King Yick Kenneth, Ms Kwok Oi Kuen Joan Elmond, Mr Miao Felix Wen Hao, Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Wong Kwong Chi Simon.

Hong Kong, 16 April 2004