



CASH Financial Services Group Limited

(Stock Code:8122)

2007 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 report, for which the Directors of CASH Financial Services Group Limited (“Company” or “CFSG”) 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 report 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 report misleading;* and (iii) *all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# Highlights

- Turnover rose 89.8% to HK\$167.8 million, reflecting the success of our marketing efforts.
- Net profit attributable to shareholders increased by 86.5% to HK\$28.6 million.
- Continue to grow the core business by enhancing online trading platform capability, strengthening cross-selling synergies within the Group, and expanding product offerings.
- Continue to diversify our revenue mix through strengthening existing businesses and enriching product types.

# Results

The unaudited consolidated results of the Company and its subsidiaries ("Group") for the three months ended 31 March 2007 together with the comparative figures for the last corresponding period are as follows:

		<b>Unaudited three months ended 31 March</b>	
		<b>2007</b>	2006
		<b>HK\$'000</b>	HK\$'000
	Notes		
Revenue	(3)	<b>167,835</b>	88,441
Other operating income		<b>417</b>	274
Salaries, commission and related benefits		<b>(49,423)</b>	(44,506)
Depreciation and amortisation		<b>(4,490)</b>	(1,747)
Finance costs		<b>(12,203)</b>	(10,117)
Other operating, selling and administrative expenses		<b>(66,978)</b>	(19,271)
Net (decrease) increase in fair value of listed investments held for trading		<b>(1,301)</b>	5,027
Profit before taxation		<b>33,857</b>	18,101
Taxation charge	(4)	<b>(4,646)</b>	(2,620)
Profit for the period		<b>29,211</b>	15,481
Attributable to:			
Equity holders of the Company		<b>28,551</b>	15,311
Minority interests		<b>660</b>	170
		<b>29,211</b>	15,481
Earnings per share	(5)		
– Basic		<b>2.1 HK cents</b>	1.2 HK cents
– Diluted		<b>2.0 HK cents</b>	1.1 HK cents

Notes:

## **(1) Basis of preparation**

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated accounts include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited consolidated results for the three months ended 31 March 2007 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

## **(2) Significant accounting policies**

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

The new standards, amendment or interpretations which become effective and therefore are adopted in 2007 have no material impact on the results and financial position of the Group.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will also have no material impact on the results and the financial position of the Group.

HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

### (3) Revenue

	Unaudited three months ended 31 March 2007		2006
	HK\$'000		HK\$'000
Fees and commission income	86,970		69,185
Interest income	21,217		17,697
Online game subscription income	30,604		1,559
Sales of online game auxiliary products	28,907		–
Licensing income	137		–
	<b>167,835</b>		88,441

### (4) Taxation charge

	Unaudited three months ended 31 March 2007		2006
	HK\$'000		HK\$'000
Current tax:			
– Hong Kong	4,300		120
– PRC	–		–
– Elsewhere	500		–
Deferred taxation (credit) charge	(154)		2,500
	<b>4,646</b>		2,620

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Certain subsidiaries of the Group are operating in PRC. They are subject to tax with rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone). No provision for taxation has been made for these subsidiaries as no assessable profit is arisen during both periods.

Deferred tax credit for current period related to amortisation of the deferred tax liability on intangible assets arising from acquisition of subsidiaries in 2006.

Part of the deferred tax asset of HK\$2,500,000 had been utilised in 2006 due to assessable profit was expected to be earned by certain subsidiaries. No other deferred tax asset has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

## (5) Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the three months ended 31 March 2007 together with the comparative figures for the prior period are based on the following data:

	<b>Unaudited three months ended 31 March 2007</b>		2006
	<b>HK\$'000</b>		HK\$'000
<b>Profit</b>			
Profit for the purpose of basic earnings per share	<b>28,551</b>		15,311
Effect of dilutive potential ordinary shares: Interest on convertible loan note	-		107
Profit for the purpose of diluted earnings per share	<b>28,551</b>		15,418
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,382,051,448</b>		1,326,548,099
Effect of dilutive potential ordinary shares assumed exercise of share options	<b>17,716,667</b>		N/A
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	<b>N/A</b>		52,962,962
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,399,768,115</b>		1,379,511,061

The computation of diluted earnings per share for 2006 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares during that period.

## (6) Reserves

### Unaudited three months ended 31 March 2007

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible loan note equity reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
Beginning of the three months period	220,970	128,550	-	2,496	(288)	(10,102)	341,626
Profit for the period, representing total recognised income for the period	-	-	-	-	-	28,551	28,551
End of the three months period	220,970	128,550	-	2,496	(288)	18,449	370,177

### Unaudited three months ended 31 March 2006

	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible loan note equity reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Beginning of the three months period	130,794	173,550	581	883	(53,678)	252,130
Profit for the period, representing total recognised income for the period	-	-	-	-	15,311	15,311
Arising from partial repayment of convertible loan note	-	-	(273)	-	-	(273)
Issue of new shares	92,981	-	-	-	-	92,981
End of the three months period	223,775	173,550	308	883	(38,367)	360,149

# Post Balance Sheet Event

Pursuant to the Company's announcement dated 9 January 2007, the Company proposed to dispose of the entire interest in Netfield Technology Limited ("Netfield") to Celestial Investment Group Limited ("CIGL"), the controlling shareholder of the Company, at a consideration of the higher of HK\$120 million or the valuation of the online game business operated by Netfield as at 31 December 2006. The final consideration was fixed at HK\$120 million and the transaction was approved by the independent shareholders of the Company at the special general meeting held on 23 April 2007.

## Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 March 2007 (2006: Nil).

## Review and Outlook

The stock market exuberance carried from the last quarter of 2006 came to a halt soon after the Chinese New Year. The Hang Seng Index plunged as the 9% price collapse in Shanghai and Shenzhen stocks spilled over to global markets in late February. Emerging markets corrected sharply as investors' risk appetite made a 180 degree turn to aversion, resulting in the unwinding of the yen-carry trade. Worse still, concerns over the health of the US sub-prime lending market, the weakening US economy, and additional macro-tightening in China raised market volatility. Despite the uncertainty, investors remained optimistic and excited over China's fast economic growth and RMB's gradual appreciation. The market daily turnover averaged HK\$53 billion, a 70% increase compared to the same period last year. The IPO market remained strong and new issues were heavily sought after.

The Group achieved favourable results for the first quarter of 2007. Turnover and net profit attributable to shareholders rose 89.8% and 86.5%, respectively. The Group recorded a turnover of HK\$167.8 million compared to HK\$88.4 million for the same period of last year. Despite the significant increase in our operating expenses, which was induced by the expansion of our online game business, a net profit attributable to shareholders of HK\$28.6 million was recorded for the quarter ended 31 March 2007.

Our market share by turnover remained strong in the first quarter attributed partly to the general market strength and partly to the marketing campaign we launched at the end of last year. In addition, the efforts we made in previous years to optimise our trading platforms and broaden our delivery channels have allowed us to withstand the intense cost pressure in the market.

The brokerage business, which accounted for 64.5% of the core income of the Group, experienced significant growth in the first quarter. Besides the general strength in the market during the period under review, the income generated from IPO activities was another considerable factor to the success. Credit should also be given to the enhanced sales platform that we put in place to deliver better execution and efficiency. The improved platform allowed us to attract sales executives and expand the client base.

Our wealth management division, which encountered fierce competition and price pressure during 2006, regained ground after re-engineering its pricing strategy. To solidify and expand its market share in the increasingly competitive environment, the division will strengthen cross-selling synergy with the house-served brokerage clients.

The asset management business, which complements the overall product enhancement strategy, continued to register healthy growth in the first quarter. It remained focused to grow its client base and assets under management.

The investment banking unit was active in the advisory role for M&As and special transaction markets during the first quarter. It continued to lay ground for the growing IPO pipeline from medium-sized companies in the PRC. The division will remain a key revenue contributor for the Group and we anticipate to see its share of the contribution continue to increase.

As part of our strategy to refocus, the online game division, though performed in line with the business and financial targets for the period, will be transferred to our Holding Company. The proposed transaction had been approved by shareholders in a special general meeting held on 23 April 2007.

We have built a strong platform that positions us favourably for the future. The Group is generally optimistic about the business outlook for the rest of the year as GDP is expected to grow 4.5% to 5.5% in Hong Kong. Granted, there are challenges and factors ahead that could affect the global and local investment sentiments, such as the collapse of the US sub-prime lending market and its impact on the global economy, the tension in the Middle East which caused high energy and commodity prices, and the China's macro-tightening policy and its impact on the rest of the world.

Going forward, we aim to accelerate the pace of growth leading to significant value creation for our clients, employees, and shareholders. We will continue to diversify our revenue mix through strengthening existing businesses and enriching product types. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs, executes well and values their business relationships.

# Directors' Interests in Securities

As at 31 March 2007, 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 ordinary shares

Name	Capacity	Number of shares		
		Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	-	679,219,434*	49.15
Wong Kin Yick Kenneth	Beneficial owner	9,860,000	-	0.71
Law Ping Wah Bernard	Beneficial owner	17,264,000	-	1.25
Cheng Man Pan Ben	Beneficial owner	1,288,000	-	0.09
Cheng Shu Shing Raymond	Beneficial owner	1,100,000	-	0.08
		29,512,000	679,219,434	51.28

- \* The shares were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), and as to 40,392,000 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan Pak Hoo Bankee 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 scheme**

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Note	Number of options		Percentage to issued shares as at 31 March 2007 (%)
					outstanding as at 1 January 2007	outstanding as at 31 March 2007	
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	(1)	6,000,000	6,000,000	0.43
Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296		6,000,000	6,000,000	0.43
Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296		6,000,000	6,000,000	0.43
Cheng Man Pan Ben	7/7/2006	7/7/2006 – 31/7/2008	0.296		6,000,000	6,000,000	0.43
Cheng Shu Shing Raymond	7/7/2006	7/7/2006 – 31/7/2008	0.296		1,000,000	1,000,000	0.07
Hui Ka Wah Ronnie	7/7/2006	7/7/2006 – 31/7/2008	0.296		1,000,000	1,000,000	0.07
Lo Kwok Hung John	7/7/2006	7/7/2006 – 31/7/2008	0.296		1,000,000	1,000,000	0.07
					<b>27,000,000</b>	<b>27,000,000</b>	<b>1.93</b>

**Notes:**

- (1) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (2) No option was granted, exercised or cancelled during the period.
- (3) The options are held by the Directors in the capacity of beneficial owners.

(c) **Aggregate long positions in the ordinary shares and the underlying shares**

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares
				31 March 2007 (%)
Kwan Pak Hoo Bankee	679,219,434	6,000,000	685,219,434	49.58
Wong Kin Yick Kenneth	9,860,000	6,000,000	15,860,000	1.14
Law Ping Wah Bernard	17,264,000	6,000,000	23,264,000	1.68
Cheng Man Pan Ben	1,288,000	6,000,000	7,288,000	0.52
Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.15
Hui Ka Wah Ronnie	-	1,000,000	1,000,000	0.07
Lo Kwok Hung John	-	1,000,000	1,000,000	0.07
	708,731,434	27,000,000	735,731,434	53.21

**B. Associated corporation (within the meaning of SFO)**

**CASH**

(a) *Long positions in the ordinary shares*

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	-	246,042,564*	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	-	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	-	0.01
		7,707,800	246,042,564	38.66

\* The shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee 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 scheme

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options		Percentage to issued shares as at 31 March 2007 (%)
				outstanding as at 1 January 2007	outstanding as at 31 March 2007	
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	4,000,000	0.61
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	4,000,000	0.61
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	4,000,000	0.61
				12,000,000	12,000,000	1.83

Note: The options are held by the Directors in the capacity of beneficial owners.

(c) Aggregate long positions in the ordinary shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 31 March 2007 (%)
Kwan Pak Hoo Bankee	246,042,564	4,000,000	250,042,564	38.10
Wong Kin Yick Kenneth	–	4,000,000	4,000,000	0.61
Law Ping Wah Bernard	7,644,300	4,000,000	11,644,300	1.77
Cheng Man Pan Ben	63,500	–	63,500	0.01
	253,750,364	12,000,000	265,750,364	40.49

Save as disclosed above, as at the 31 March 2007, 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 Scheme

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the three months ended 31 March 2007 were as follows:

Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options	
				outstanding as at 1 January 2007	outstanding as at 31 March 2007
<b>Directors</b>					
7/7/2006	7/7/2006 – 31/7/2008	0.296	(1)	27,000,000	27,000,000
<b>Employees</b>					
7/7/2006	7/7/2006 – 31/7/2008	0.296		73,300,000	73,300,000
7/7/2006	7/7/2006 – 31/7/2010	0.296	(2)	6,000,000	6,000,000
				79,300,000	79,300,000
				106,300,000	106,300,000

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 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.
- (3) No option was granted, exercised, lapsed or cancelled during the period.

# Substantial Shareholders

As at 31 March 2007, 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 or as otherwise notified to the Company were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Shareholding (%)</b>
Jeffnet Inc (Note (1))	Trustee of a discretionary trust	679,219,434	49.15
Cash Guardian (Note (1))	Interest in a controlled corporation	679,219,434	49.15
CASH (Note (1))	Interest in a controlled corporation	638,827,434	46.22
CIGL (Note (1))	Beneficial owner	638,827,434	46.22
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	207,636,000	15.02
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	207,636,000	15.02
Dr Wolfgang Auer von Welsbach (Note (3))	Interest in a controlled corporation	71,502,907	5.17
Auer von Welsbach Privatstiftung (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Beteiligungsverwaltungs GmbH (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Management Beteiligungs AG (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Invest AG Aktiengesellschaft (Note (3))	Beneficial owner	71,502,907	5.17

Notes:

- (1) This refers to the same number of 679,219,434 shares which were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian. 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) This refers to the same number of 207,636,000 shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the shares held by ARTAR.
- (3) This refers to the same number of 71,502,907 shares held by AvW Invest AG Aktiengesellschaft, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG Aktiengesellschaft was 74% owned by AvW Management Beteiligungs AG, which in turn was 100% owned by AvW Beteiligungsverwaltungs GmbH. AvW Beteiligungsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders include Dr Wolfgang Auer von Welsbach. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiligungsverwaltungs GmbH and AvW Management Beteiligungs AG were deemed to be interested in all the shares held by AvW Invest AG Aktiengesellschaft.

Save as disclosed above, at 31 March 2007, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions 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 2007, 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 2007

*As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Wong Kin Yick Kenneth, Mr Law Ping Wah Bernard and Mr Cheng Man Pan Ben, and the independent non-executive Directors are Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John.*