

The Stock Exchange of Hong Kong Limited (“Stock Exchange”) takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CASH Financial Services Group Limited
(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT PURSUANT TO CHAPTER 17 OF GEM LISTING RULES

The Company has through one of its subsidiaries, a registered securities margin financier, granted margin financing facilities to (i) companies controlled by a single entity being a connected person of the Company (as defined under the GEM Listing Rules); and (ii) several other independent clients, which individually once exceeded 25% of the reported consolidated net tangible assets of the Company as at 31 December 2001 and are discloseable under GEM Listing Rules 17.15. Details of the margin financing facilities to the connected person are set out below. The Company overlooked the obligation under Rule 17.15 and Rule 17.22 to timely disclose the above information. The Stock Exchange reserves its rights to take appropriate action in relation to the breach. The Company undertakes to strengthen its internal control by its directors to closely monitor the compliance with Rule 17.15 and Rule 17.22.

On 21 March 2003, the Group published, among others, its audited consolidated balance sheet as at 31 December 2002 which recorded an audited negative consolidated net tangible asset value as at that date of approximately HK\$28,145,000. By reason of this, any receivables of the Group arising in the normal and ordinary course of business become discloseable under the GEM Listing Rules 17.15 and 17.16 even though the Group has already restored its net tangible asset position as a result of the conversion by its controlling shareholder of part the convertible note in the principal amount of HK\$75 million due from the Company into 25,000,000 new shares of the Company on 21 March 2003.

As at 6 May 2003, being the latest practicable date for ascertaining the amount of the receivables of the Group, there were outstanding receivables in an aggregate amount of approximately HK\$113 million which have arisen in the ordinary and usual course of business of the Group. Out of the sum of HK\$113 million, a sum of approximately HK\$9 million was due from a connected person (as defined under the GEM Listing Rules). Further information of these receivables is set out below.

As it would be onerous and impractical in terms of timing and commercial confidentiality for the Group to strictly comply with GEM Listing Rules 17.15 to 17.17 and 17.22 on an ongoing basis, the Group has submitted an application to the Stock Exchange for waiver of making disclosure in respect of advances made by the Group to independent clients in its ordinary course of business despite the fact that the consolidated net tangible asset value of the Group as at 31 December 2002 is negative. As at the date of this announcement, the Stock Exchange has not indicated whether such waiver will be granted. Further announcement as to the result of such application will be made in due course.

In response to the enquiry raised by the Stock Exchange, CASH Financial Services Group Limited (“Company”) makes this announcement pursuant to Rule 17.15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of the Stock Exchange in view of the amount of financial assistance (“Facility”) granted to the securities trading account (“Account”) of companies controlled by a single entity being also a connected person of the Company under the GEM Listing Rules which Facility amount once exceeded 25% of the reported consolidated net tangible assets of the Company (“NTA”) at the relevant times. The Facility was provided by a subsidiary (“Subsidiary”) of the Company which ordinary business is to provide margin financing for securities trading.

In compliance with Rule 17.17 of the GEM Listing Rules, the following information is disclosed:

- (1) The Facility was made in the form of margin financing for securities trading under the Account. During the period when the Facility exceeded 25% of the reported NTA, the maximum amount standing to the debit of the Account was less than HK\$28 million which was reduced to approximately HK\$9 million since 20 August 2002. The approximate amounts of the Facility under the Account and the NTA at the relevant financial reporting date and the percentage to the NTA thereat were as follows:

<u>As at</u>	<u>Facility amount</u> (HK\$)	<u>NTA</u> (HK\$)	<u>% to NTA</u>
31 March 2003	9,066,000	(28,145,000)#	Not Applicable
31 December 2002	8,862,000	(28,145,000)#	Not Applicable
30 June 2002	26,362,000	63,849,000*	41%
31 March 2002	25,895,000	63,849,000*	41%
31 December 2001	25,385,000	63,849,000*	40%

- (2) The amount of the Facility arose as a result of purchase of listed stocks on the Stock Exchange under the Account.
- (3) The ultimate beneficiary of the Account is Mr Kwan Pak Hoo Bankee, the substantial shareholder, the Chairman and an executive director of the Company.
- (4) The interest rate imposed on the Facility under the Account was and is the same as the ordinary interest rate imposed by the Subsidiary on its other margin clients and is currently charged at prime rate plus 2.5% per annum.
- (5) The Facility is repayable on demand and is secured by listed stocks held under the Account.

Notes: (* The NTA of the Company as at 31 December 2001.)

(# The negative NTA of the Company as at 31 December 2002. However, the Group has restored its net assets position since 21 March 2003. For further details, please refer to the information set out below.)

The independent non-executive directors of the Company have approved the Facility and confirmed that the Facility was granted by the Subsidiary in its ordinary course of business and on normal commercial terms.

Apart from the Facility as disclosed above, the Subsidiary has also during the year of 2002 granted margin financing facilities to several independent clients in its ordinary course of business which individually exceeded 25% of the NTA as at 31 December 2001. All such margin financing facilities are interest bearing and secured by collaterals.

The Company overlooked the obligation under Rule 17.15 (which first arose on 15 March 2002, the announcement date of the annual results for 2001 of the Group) and Rule 17.22 to timely disclose the above information by announcement when disclosure requirement arose and to include the relevant information in quarterly report (for the quarter ended 31 March 2002), interim report (for the six months ended 30 June 2002) and annual reports (for the year ended 31 December 2001 and 31 December 2002) where the situation required continuous disclosure. The Stock Exchange reserves its rights to take appropriate action in relation to the breach. The Company undertakes to strengthen its internal control by its directors to closely monitor the compliance with Rule 17.15 and Rule 17.22.

On 21 March 2003, the Company published its audited consolidated balance sheet as at 31 December 2002 which recorded an audited negative consolidated net tangible asset value as at that date of approximately HK\$28,145,000. In order to restore the net asset position of the Group, on 21 March 2003, Celestial Investment Group Limited (“CIGL”), the controlling shareholder of the Group, converted part of the convertible note in the principal amount of HK\$75 million due from the Company into 25,000,000 new shares of the Company, representing approximately 19.88% of the issued share capital of the Company as enlarged thereby. After the conversion of the convertible note by CIGL and taking into account the results of the Group for the three months ended 31 March 2003, the unaudited consolidated net tangible assets of the Group as at 31 March 2003 amounted to approximately HK\$36,711,000. Despite the fact that the Group has restored to a net tangible asset position since 21 March 2003, since the Group published negative consolidated net tangible asset value as at 31 December 2002, under the GEM Listing Rules all advances including margin financing facilities, irrespective of the amounts, by the Company or any of its subsidiaries (“Group”) in its normal and ordinary course of business to its clients become discloseable under Rule 17.15 and Rule 17.16 and all their outstanding balances and any subsequent changes will, upon the release of the Group’s negative net tangible assets become discloseable under the same rules. If the negative net tangible asset position continues to exist, the Company shall continue to disclose particulars of all such advances in the Company’s quarterly and half yearly report and annual report pursuant to Rule 17.22.

As at 6 May 2003, being the latest practicable date for ascertaining the amount of the receivables of the Group contained in this announcement prior to its publication, the aggregate of all the outstanding accounts receivables, loan receivables and miscellaneous receivables of the Group amounted to approximately HK\$113 million including receivables due from margin clients of the Subsidiary and such receivables have arisen in the ordinary and usual course of business of the Group. The aforesaid aggregate outstanding receivables, except a sum of approximately HK\$1.7 million thereof, are all interest bearing and secured loans with repayment terms. As at 6 May 2003, the Subsidiary has about 2,105 margin clients and approximately a sum of HK\$109 million was due from around 1,040 margin clients, out of which approximately HK\$9 million was due from a company controlled by Mr Kwan Pak Hoo Bankee, a connected person of the Company under the GEM Listing Rules.

Taking into account that the major and ordinary business of the Group is the making of advances to its clients either by way of granting of margin financing facilities or loan advances and the Group has been making a significant number of advances to its clients in its ordinary course of business, it

would be onerous and impractical in terms of timing or commercial confidentiality for the Group to strictly comply with GEM Listing Rules 17.15 to 17.17 and 17.22 on an ongoing basis. Hence, the Company has submitted an application to the Stock Exchange for waiver of making disclosure in respect of advances made by the Group to independent clients in its ordinary course of business despite the fact that the consolidated net tangible asset value of the Group is negative. Subject to the aforesaid, as the Group has restored its net tangible asset position since 21 March 2003, the negative NTA as at 31 December 2002 should not have any significant impact on the business or the operation of the Group. As at the date of this announcement, the Stock Exchange has not indicated whether such waiver will be granted. Further announcement as to the result of such application for the waiver will be made in due course.

On behalf of the board
Law Ping Wah Bernard
Executive Director

Hong Kong, 14 May 2003

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the 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 announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from its date of publication and on the website of the Company at www.cfsg.com.hk.