THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CASH Financial Services Group Limited, you should at once hand this circular and the accompanying forms of proxy to the purchaser or transferee or to the bank, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular does not constitute an offer of, nor is it calculated to invite offers for, shares in or other securities of CASH Financial Services Group Limited.

CASH
FINANCIAL SERVICES GROUP
時 富 金 融 服 務 集 團

CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #8122)

MAJOR TRANSACTION
PROPOSED ACQUISITION

PROPOSED PLACING OF 155 MILLION NEW SHARES

CONNECTED TRANSACTION
PROPOSED ISSUE OF 120 MILLION NEW SHARES TO CONTROLLING SHAREHOLDER

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

Independent Financial Adviser to the Independent Board Committee

VINCO 域高

Grand Vinco Capital Limited

A notice convening a special general meeting of CASH Financial Services Group Limited to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 20 December 2005 (Tuesday) at 9:30 am are set out on pages 149 to 152 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee (as defined herein) in relation to the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment (all as defined herein) is set out on pages 29 to 42 of this circular. If you are not able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

This circular 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.

30 November 2005

CHARACTERISTIC OF GEM

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.

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Accountants"	Deloitte Touche Tohmatsu, Certified Public Accountants and the auditors of the Company
"Acquisition"	the acquisition of the Sale Shares at the Consideration pursuant to the S&P Agreement
"Announcement"	the joint announcement made by the Company and CASH on 22 September 2005 in respect of, among other things, the entering into S&P Agreement, the Placing Agreement and the Subscription Agreement
"Associates"	has the same meaning ascribed in the GEM Listing Rules
"Board"	the board of Directors
"Capital Increase"	the increase of share capital of the Company from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 Shares
"CASH"	Celestial Asia Securities Holdings Limited, the ultimate controlling Shareholder, a company incorporated in Bermuda with limited liability and which securities are listed on the main board of the Stock Exchange
"CASH Group"	CASH and its subsidiaries including the Group
"CIGL"	Celestial Investment Group Limited, a wholly owned subsidiary of CASH and a controlling Shareholder
"Company"	CASH Financial Services Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on GEM
"Consideration"	HK$110 million, being consideration for the Sale Shares
"Directors"	the directors of the Company

"Enlarged Group"	the Group including the Netfield Group on the assumption that completion of the Acquisition had taken place
"Group"	the Company and its subsidiaries
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	Rules Governing the Listing of Securities on GEM
"General Mandate Refreshment"	the refreshment of the general mandate of the Company to issue new Shares as described in the section of "General Mandate Refreshment" in this circular
"Independent Board Committee"	the independent board committee of the Company comprising the independent non-executive Directors, namely, Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John
"Independent Financial Adviser"	Grand Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
"Independent Shareholder(s)"	Shareholders other than CIGL and its Associates
"Latest Practicable Date"	25 November 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Main Board"	the main board of the Stock Exchange
"Netfield"	Netfield Technology Limited, a company incorporated with limited liability in the British Virgin Islands
"Netfield Group"	Netfield and its subsidiaries, the business of which is set out in the section headed "Operation of Netfield Group and reason for the Acquisition"
"Placing"	the placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement

"Placing Agent"	Celestial Securities Limited, being a corporation licensed under SFO to conduct types 1 and 3 regulated activities under SFO, and a wholly owned subsidiary of the Company
"Placing Agreement"	the agreement entered into between the Company and the Placing Agent on 15 September 2005 in relation to the Placing
"Placing Conditions"	the conditions of the Placing Agreement as set out in the sub-section of "Placing Conditions" under the section of "Placing Agreement" in this circular
"Placing Price"	HK$0.40 per Placing Share
"Placing Shares"	155 million new Shares to be placed under the Placing Agreement
"PRC"	the People's Republic of China
"Purchaser"	Vantage Giant Limited, a wholly-owned subsidiary of the Company
"Registered Shareholder(s)"	Shareholder(s) whose names appear on the register of members of the Company
"S&P Agreement"	the agreement entered into between the Purchaser and the Vendor on 15 September 2005 in relation to the Acquisition
"S&P Conditions"	the conditions of the Acquisition as set out in the sub-section of "S&P Conditions" under the section of "S&P Agreement" in this circular
"Sale Shares"	the 100% interest in Netfield including all the outstanding loans due from Netfield to the Vendor as at completion of the S&P Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company to be held to approve the S&P Agreement, the Placing Agreement, the Subscription Agreement, the General Mandate Refreshment and the Capital Increase
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares at the Subscription Price by CIGL pursuant to the Subscription Agreement
"Subscription Agreement"	the agreement entered into between the Company and CIGL on 15 September 2005 in relation to the Subscription
"Subscription Conditions"	the conditions of the Subscription Agreement as set out in the sub-section of "Subscription Conditions" under the section of "Subscription Agreement" in this circular
"Subscription Price"	HK$0.40 per Subscription Share
"Subscription Share(s)"	120 million new Shares to be subscribed by CIGL under the Subscription
"Vendor"	Mr Lin Che Chu, an independent third party, who is not a connected person of the Company as defined under the GEM Listing Rules
"HK$"	Hong Kong dollar(s), the currency of Hong Kong
"RMB"	Renminbi, the currency of the PRC

* *The exchange rates for HK$/RMB and US$/HK$ applied in this circular are HK$1:RMB1.05 and US$1:HK$7.8 respectively.*

CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #8122)

Board of Directors:
Executive:
KWAN Pak Hoo Bankee *(Chairman)*
LAW Ping Wah Bernard *(CFO)*
WONG Kin Yick Kenneth *(CEO)*
CHENG Man Pan Ben
KWOK Oi Kuen Joan Elmond

Independent non-executive:
CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
LO Kwok Hung John

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:
21/F The Center
99 Queen's Road Central
Hong Kong

30 November 2005

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
PROPOSED ACQUISITION

PROPOSED PLACING OF 155 MILLION NEW SHARES

CONNECTED TRANSACTION
PROPOSED ISSUE OF 120 MILLION NEW SHARES TO CONTROLLING SHAREHOLDER

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

INTRODUCTION

On 22 September 2005, the Board made the Announcement that (among other things), the Group entered into (a) the S&P Agreement under which the Purchaser, a subsidiary of the Company, shall acquire the Sale Shares at the Consideration, (b) the Placing Agreement under which the

Company shall place through the Placing Agent the Placing Shares at the Placing Price, and (c) the Subscription Agreement under which the Company shall issue to CIGL, a substantial Shareholder, the Subscription Shares at the Subscription Price. In order to allow the flexibility to the Board to issue additional new Shares, the Board also proposed the Capital Increase and the General Mandate Refreshment.

Under the GEM Listing Rules, (a) the S&P Agreement shall be subject to Shareholders' approval, (b) the Subscription Agreement and the General Mandate Refreshment shall be subject to Independent Shareholders' approval. The Board also considered to seek Independent Shareholders' approval for the Placing Agreement. The placees of the Placing Shares (if they could be identified before the SGM who remain to hold any Shares and have material interests in the Placing) and their respective Associates are required to abstain from voting for the Placing Agreement. The Independent Board Committee has been established to consider the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder, and the General Mandate Refreshment. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee in connection with the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder, and the General Mandate Refreshment.

The purpose of this circular is to give you further information regarding the S&P Agreement, the Placing Agreement, the Subscription Agreement, the General Mandate Refreshment and the notice of the SGM at which ordinary resolutions will be proposed to approve the S&P Agreement, the Placing Agreement, the Subscription Agreement, the Capital Increase, and the General Mandate Refreshment.

S&P AGREEMENT

Date:	15 September 2005.
Vendor:	Mr Lin Che Chu, an independent third party, who is not a connected person of the Company (as defined under the GEM Listing Rules).
Purchaser:	Vantage Giant Limited, a wholly-owned subsidiary of the Company.
Sale Shares:	Being 100% interest in Netfield, including all the outstanding loans due from Netfield to the Vendor at completion of the S&P Agreement .

Consideration: HK$110 million, which represents a premium of 366.1% to the net asset value of the Sale Shares of RMB24.8 million (equivalent to approximately HK$23.6 million) as at 31 August 2005 as per the unaudited management accounts of Netfield prepared under the PRC generally acceptable accounting principles. The Consideration was agreed between the Vendor and the Purchaser on an arm's length basis and it was and will be settled in cash in the following manner:

(a) HK$55 million as deposit having been paid upon signing of the S&P Agreement; and

(b) HK$55 million to be payable upon completion.

The payment of the deposit of HK$55 million was satisfied by the proceeds from a subsequent issue of 145 million new Shares (as announced in the Announcement) which was completed on 5 October 2005. The payment terms were determined after arm's length negotiation between the Vendor and the Purchaser and the Directors consider the payment terms are not unusual for transactions of this nature.

The Consideration of HK$110 million was determined after arm's length negotiation between the Purchaser and the Vendor with reference to (i) the number of subscribers of Netfield Group and the Consideration represents a value of approximately HK$110 per subscriber as at the date of the S&P Agreement; (ii) the net asset value of Netfield Group as shown in its unaudited management accounts as at 31 August 2005 and the Consideration represents a premium of about 366.1% over the net asset value of the Netfield Group as shown in its unaudited management accounts as at 31 August 2005; (iii) the companies engaged in online game businesses and listed on Nasdaq, USA, whose ratios of market capitalisation to their number of subscribers range from about HK$350 to HK$1,790 per subscriber and whose ratios of market capitalisation to their net asset value range from about 430% to 1,570%; and (iv) the recent researches conducted by the Directors on the annual consumption of online gamers in the PRC and the huge market growth potential of online game industry in the PRC.

In determining the Consideration and the prospects of the Netfield Group, the Directors have reviewed similar online game models in the market and having taken into consideration that the Netfield Group possesses the successful elements of online games in the market, including 3D (3 dimension) appearance, complete story-line, appealing avatars, freshness and full-motion graphics. Moreover, the personnel of the Netfield Group are experienced in the development of online games and the trial of the online game developed by the Netfield Group has returned encouraging results. Between 6 August 2005, the launch date of the trial period of an online game developed by the Netfield Group, and the Latest Practicable Date, the number of subscribers had grown from zero to around 1.1 million.

The Directors have also conducted research on the development and consumption of online games in the PRC and came to the conclusion that the popularity of online games could in the long run generate a scaleable income for the Group. In addition, on the basis of their previous experience developing online games for the Company, the Directors have tried out the game developed by the Netfield Group and consider it to be of marketable quality. The Board thus considers that the Consideration is fair and reasonable.

S&P Conditions: The Acquisition is conditional upon, among other things,:–

(a) the completion of the Placing Agreement;

(b) the approval of the S&P Agreement by the Shareholders in the SGM;

(c) the completion of a due diligence review on Netfield Group by and to the satisfaction of the Purchaser;

(d) the issue of a PRC legal opinion on the legal establishment and the commercial arrangement of the Netfield Group in the PRC to the satisfaction of the Purchaser;

(e) a valuation on Netfield Group of not less than HK$110 million by an independent valuer (which has been appointed as at the Latest Practicable Date) acceptable to the Purchaser; and

(f) the approval of the Acquisition by the shareholders of CASH in its special general meeting.

The due diligence review will include (i) a review of by the Purchaser, its professional and financial advisers, accountants of all the books, records, properties, assets and accounting and statutory records of the Netfield Group as well as a review and investigation on the financial, legal, commercial and taxation aspects of the Netfield Group and its title to its assets; (ii) an audited report for the eight months ended 31 August 2005 (prepared in accordance with the generally acceptable accounting principles in Hong Kong) and the post balance sheet events of the Netfield Group to be prepared by the Accountants in accordance with the generally acceptable accounting principles in Hong Kong; (iii) a review by the PRC legal advisers to the satisfaction of the Purchaser on the legal establishment and commercial arrangement of the Netfield Group in the PRC.

The S&P Conditions are required to be fulfilled on or before 31 December 2005, or such later date as may be agreed between the Vendor and the Purchaser. If the S&P Conditions are not fulfilled or waived by the Purchaser (except for conditions (a), (b) and (f)) by such date, any deposit or payment having been paid under the S&P Agreement shall be refunded within 3 business days and the S&P Agreement will terminate without any clause of damages against each other of the parties to the S&P Agreement. The Purchaser has no present intention to waive any of the S&P Conditions. The Company will make further announcement if any of the S&P Conditions has been waived.

	Up to the Latest Practicable Date, the due diligence review on the financial aspect of the Netfield Group is to the satisfactory of the Purchaser and the Purchaser is still in the process of reviewing the legal aspects. As at the Latest Practicable Date, the Due Diligence Review has not been completed and none of the S&P Conditions has been fulfilled (save as the issue of the PRC legal opinion of condition (d) above). It is expected that the S&P Conditions will be fulfilled at the time of completion of the S&P Agreement.
Completion:	Completion of the Acquisition shall be within 3 business days after all the S&P Conditions being fulfilled or waived (except for conditions (a), (b) and (f)) (or any extended period as agreed between the Vendor and the Purchaser).

PLACING AGREEMENT

Date:	15 September 2005.
Issuer:	The Company.
Placing Agent:	Celestial Securities Limited, being a corporation licensed under SFO to conduct types 1 and 3 regulated activities under SFO, and a wholly owned subsidiary of the Company.
Placees:	Parties who are not connected with the Company and its subsidiaries nor any of their directors, chief executives and substantial shareholders or any of their respective Associates, or the Vendor or its Associates, or parties acting in concert with any of them. There will be over 6 placees, all of whom will be independent professional, institutional and/or individual investors. Up to the Latest Practicable Date, the list of placees has not yet been confirmed.
Proceeds:	The gross proceeds from the Placing will be HK$62 million and the net proceeds will be approximately HK$61.3 million, representing a net Placing Price of approximately HK$0.395 per Placing Share.
Placing Shares:	155 million new Shares to be placed on a best-efforts basis.

Placing Price: HK$0.40 per Placing Share which represents:

- about 19.2% discount to the closing price of HK$0.495 per Share on 15 September 2005 (the last trading day prior to the Announcement);

- about 5.5% premium to the average closing price of about HK$0.379 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days prior to 15 September 2005;

- about 51.5% premium to the average closing price of about HK$0.264 per Share based on the closing prices as quoted on the Stock Exchange for the 3 months prior to 15 September 2005;

- about 27.0% premium to the closing price of about HK$0.315 per Share on the Latest Practicable Date;

- about 23.8% premium over the latest unaudited net asset value of HK$0.323 per Share based on the unaudited net assets of the Group as at 30 June 2005.

The Placing Price for the Placing Shares was determined after arm's length negotiation between the Company and the Placing Agent. Although the Placing Price represents a discount of 19.2% to the closing price of HK$0.495 per Share on 15 September 2005 (the last trading date prior to the Announcement), on the basis that (i) the Placing Price also represents a premium of about 5.5% and 51.5% to the average closing price for the 5 trading days and 3 months respectively prior to 15 September 2005 (the last trading date prior to the Announcement) and a premium of about 23.8% to the latest unaudited net asset value of HK$0.323 per Share, (ii) the placing of the Placing Shares will secure part of the funds for the Consideration, and (iii) the relatively thin trading volume of the Shares (which average daily volume was 3,602,909 Shares based on the one month trading volume prior to the suspension of the Shares, representing 2.32% of the Placing Shares) and the amount of new funds to be raised from the Placing, the Board is of the opinion that the Placing Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Ranking of the Placing Shares:	The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the then existing Shares at the date of allotment.
Placing Conditions:	The Placing is conditional upon, among other things,: (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing Shares; (b) the approval of the Placing Agreement by the Independent Shareholders (other than the placees of the Placing Shares, if they could be identified before the SGM who remain to hold any Shares and have material interest in the Placing, and their respective Associates) in the SGM; (c) the fulfillment of the S&P Conditions (save for the completion of the Placing Agreement); and (d) the approval of the issue of the Placing Shares by the shareholders of CASH in its special general meeting. The Placing Conditions are required to be fulfilled by 31 December 2005, or such later date as may be agreed by the Company and the Placing Agent.
Placing commission:	1.25% (a normal market placing commission rate in market) on the aggregate placing amount received for the issue of the Placing Shares.
Completion:	After the fulfilment of the Placing Conditions and before the completion of the Acquisition, and simultaneously with the Subscription (if the Subscription Conditions are fulfilled and the Subscription is to be completed) which shall be fixed and determined by the Company, or any other date as the Company and the Placing Agent may mutually agree.

The Placing Agreement is not conditional upon the Subscription Agreement. Completion of the Placing Agreement will be simultaneously with the Subscription (if the Subscription Conditions are fulfilled and the Subscription is to be completed). The Subscription Agreement is conditional upon the Placing Agreement.

The entering into the Placing Agreement is to raise fund to pay the balance of the Consideration.

SUBSCRIPTION AGREEMENT

Date:	15 September 2005.
Issuer:	The Company.
Subscriber:	CIGL.
Proceeds:	The gross proceeds for the Subscription will be HK$48 million and the net proceeds for the Subscription will be approximately HK$47.3 million, representing a net Subscription Price of approximately HK$0.394 per Subscription Share.
Subscription Shares:	120 million new Shares.
Subscription Price:	HK$0.40 per Subscription Share, being same as the Placing Price.
Ranking of the Subscription Shares:	The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the then existing Shares at the date of allotment.
Subscription Conditions:	The Subscription is conditional upon, among other things,:

(a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares;

(b) the approval of the Subscription Agreement by the Independent Shareholders in the SGM;

(c) the simultaneous completion of the Placing Agreement; and

(d) the approval of the Subscription by the shareholders of CASH in its special general meeting.

The Subscription Conditions are required to be fulfilled by 31 December 2005, or such later date as may be agreed by the Company and CIGL.

Completion: After the fulfilment of the Subscription Conditions and simultaneously with the Placing which shall be fixed and determined by the Company, or any other date as the Company and CIGL may mutually agree.

The Subscription Agreement is conditional upon the Placing Agreement.

The reason for entering into the Subscription Agreement by CIGL is to maintain a sufficient level of shareholding in the Company to enable CIGL to remain as the controlling shareholder of the Company.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company before and after the issue of the Placing Shares and the Subscription Shares are as follows:

Shareholder	**Existing**		**After issue of Placing Shares**		**After issue of Placing Shares and Subscription Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
CIGL and its subsidiaries	518,827,434	49.65	518,827,434	43.24	638,827,434	48.40
Other Directors and their respective Associates	18,212,000	1.74	18,212,000	1.52	18,212,000	1.38
Placees of Placing Shares	145,000,000	13.88	300,000,000	25.00	300,000,000	22.73
Vendor and its Associates	142,500	0.01	142,500	0.01	142,500	0.01
Other public	362,699,514	34.72	362,699,514	30.23	362,699,514	27.48
Total	1,044,881,448	100.00	1,199,881,448	100.00	1,319,881,448	100.00

After the issue of the Placing Shares and the Subscription Shares, CIGL will be interested as to 48.40% in the issued share capital of the Company. As CIGL will continue to control the board of the Company and all the major decisions of the Company, the Company will continue to remain as a subsidiary of CASH after the issue of the Placing Shares and the Subscription Shares. CASH will remain as the single largest Shareholder and it is not expected there will have a change of control of the Company.

OPERATION OF NETFIELD GROUP AND REASON FOR THE ACQUISITION

The Netfield Group commenced online game business in January 2005. It is an online game developer and operator in China. The Netfield Group was introduced to the Directors by the Vendor who is a business associate and an independent third party.

The Netfield Group has its own research and development team in Shanghai, and has developed its first three-dimensional massively multiplayer online role-playing game ("MMORPG") – "King of Pirate", which is accessible nationwide in China through its self-developed game portal – www.moliyo.com. The set-up allows millions of players, which approximately 1.1 million of players have already registered, to log on to the network servers in a virtual world at the same time. The "King of Pirate" is the only game which has been finalized and has been commercially launched. The Netfield Group has started to charge subscribers by monthly subscription at a fee of RMB30 and/or on a usage basis at a fee of RMB0.4 per hour since the official launch of the game on 15 November 2005. The Netfield Group is developing other MMORPGs and casual games which are in final development phase. **Save for the "King of Pirate", the Netfield Group has not developed any online game previously, and none of the games developed have been tested commercially (except for the official launch of the "King of Pirate").**

In considering the prospects of the Netfield Group, the Directors have reviewed similar online game models in the market and having taken into consideration that the Netfield Group possesses the successful elements of online games in the market, including 3D (3 dimension) appearance, complete story-line, appealing avatars, freshness and full-motion graphics. Moreover, the personnel of the Netfield Group are experienced in the development of online games and the trial of the "King of Pirate" has returned encouraging results. Between 6 August 2005, the launch date of the trial period of the "King of Pirate", and the Latest Practicable Date, the number of subscribers had grown from zero to around 1.1 million.

The Directors have also conducted research on the development and consumption of online games in the PRC and came to the conclusion that the popularity of online games could in the long run generate a scaleable income for the Group. In addition, on the basis of their previous experience developing online games for the Company, the Directors have tried out the game developed by the Netfield Group and consider it to be of marketable quality.

Besides operating its own developed games, the Netfield Group has also obtained exclusive licenses from both overseas and domestic producers to localize and operate games, including board games, card games, puzzles, and various forms of trivia on the online game platform. Customers or players will be charged by monthly subscription or on a usage basis by purchasing prepaid cards online or through its established, extensive distribution network including convenience stores, software outlets and internet cafes throughout China.

Its game portal at www.moliyo.com is also an entertainment platform, providing contents through internet, including those focused on entertainment information of lifestyle and broad array of free and fee-based services such as MMORPG games, casual games, music, cartoon series, chat-room, e-mail and e-greeting cards. **As at the Latest Practicable Date, none of the games being developed by the Netfield Group or its game portal has started to generate income (except for the "King of Pirate" which has started to generate income since 15 November 2005).**

The Group has extensive experience in the online infrastructure development and operation. The Group was the first mover in Hong Kong in introducing and developing the online trading platform for broking in securities and commodities. The Group has been seeking opportunities to enhance its services and widen its product range, using its robust systems and in-depth knowledge of the financial markets to broaden the financial horizons for its customers. In 2000, the Group had operated a website "www.e-finance.com.hk" with enhanced scope of services and functions to include lifestyle and entertainment information for its customers. It also had experience in organizing online games (i.e. real-time investment game, iGame) for its online subscribers, which gained a tremendous online data base of clients for not only online game services but also allow for cross selling of services among the different business units of the Group and the CASH Group.

Operation of online games is generally of a pay-for-play revenue model. In view of the recent trend and popularity of the online game market, the Group believes that the operation of Netfield Group could in the long run generate a scalable revenue stream. With the experience and strong expertise in the operation and development of online services and the well established data base and online platform of the Company, the Board believes that the operation of the Netfield Group could ride on the Group to be further expanded more effectively and cost-effective.

CONTRACTUAL ARRANGEMENTS OF NETFIELD

As foreign invested companies are currently not allowed to apply for the necessary licenses to operate online games in China, the Netfield Group conducts operations through Moliyo (Shanghai) Information Technology Limited (摩力游（上海）信息科技有限公司) ("Moliyo"), a PRC incorporated and wholly owned subsidiary of Netfield, through business contracts with Cathyway Digital Entertainment (Shanghai) Limited (上海嘉思華數字娛樂有限公司) ("Cathyway"), which is wholly owned by two PRC citizens (Mr Pan Long (潘龍) and Mr Li Zeng Rong (李正容)), who are independent third parties. Cathyway holds the licenses required to operate online games, while Moliyo owns the substantial majority of physical assets. The contractual arrangements comprise a series of agreements including the provision of a loan to the said two PRC citizens to establish Cathyway, a share pledge agreement by the two PRC citizens to pledge their shares in Cathyway to Moliyo, undertakings by the said two PRC citizens to transfer their shares in Cathyway to Moliyo, an equipment leasing agreement, a technology license agreement, a technical services agreement and other related agreements to permit Moliyo to capture the income from Cathyway. The contractual arrangements essentially make Moliyo the primary beneficiary of the licensed entity and as advised by Jin Mao Law Firm, the legal advisers to CSFG as to PRC laws, such contractual arrangements are legal and enforceable under PRC laws.

Notwithstanding that Jin Mao Law Firm, the legal advisers to the Company as to PRC laws, has opined that the contractual arrangements with Cathyway are legal and enforceable under PRC laws, no assurance can be made that the PRC regulatory authorities will not take a view contrary to the PRC legal counsel to the Company. In addition, there are uncertainties regarding the interpretation and application of current or future PRC laws and regulations governing the enforcement and performance of the abovementioned contractual arrangements. In the event that any of the abovementioned contractual arrangements were found to be in violation of any existing or future PRC laws or regulations, it may cause significant disruption to the operation of Netfield and may adversely affect the result of the Company.

PURPOSES OF THE ISSUE OF NEW SHARES AND USE OF PROCEEDS

The total gross proceeds from the issue of the Placing Shares and the Subscription Shares will be approximately HK$110 million. The net proceeds of approximately HK$108.5 from the issue of the Placing Shares and the Subscription Shares will be applied as to HK$52.8 million for the settlement of part of the balance payment of the Consideration, as to approximately HK$30 million as operating capital for the operation of Netfield Group, and as to the balance of approximately HK$25.7 million as the general working capital of the Group.

FINANCIAL INFORMATION OF THE GROUP

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group prepared in accordance with the generally acceptable accounting principles in Hong Kong for the year ended 31 December 2003 were about HK$11.1 million and HK$10.7 million respectively, and the audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2004 were about HK$22.1 million and HK$21.3 million respectively. The unaudited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group for the 6 months ended 30 June 2005 were about HK$12.0 million and HK$11.2 million respectively. The audited consolidated net assets of the Group as at 31 December 2004 were about HK$238.8 million. The unaudited consolidated net assets of the Group as at 30 June 2005 were about HK$243.6 million.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

For the year ended 31 December 2004, the Group recorded a net profit attributable to shareholders of HK$21.3 million as compared with HK$10.7 million in the previous year. In the first half of 2005, the Group recorded a net profit attributable to shareholders of HK$11.8 million. This continued decent profit track record is testimonial to the success of the reengineering of our business model a couple of years ago, reflecting the marked improvement in the underlying corporate profitability longer term. The management remains positive on the overall performance for the full year.

The Group recorded a turnover of HK$97.9 million in the first half of 2005, as compared to HK$125.8 million in the first half of 2004. The decrease was in part a reflection of a directionless market environment throughout the first half of 2005 and in part a result of a change in accounting treatment for brokerage commission rebate. After the abolition of the minimum commission requirement, a significant portion of our commission rebates has been changed from a gross to a net basis. While this has technically reduced turnover, it did not have an actual impact on net profit.

Continued concerns over global economic slowdown, increase in US interest rates, further macroeconomic tightening in China triggered a sell-off in the emerging markets in March and April and dampened the market sentiment locally. Volatility in commodity and oil prices also led to corresponding price fluctuations in global equity markets. Geopolitically, the Cross-Strait relationship seemed to have improved after the historic visits to China by the opposition party leaders in Taiwan. Despite the continued pick-up in the domestic economy, the Hong Kong stock market in the second quarter was lackluster and directionless as inflow of hot money speculating on the RMB revaluation seemed to have reversed on the back of narrowing interest rate differential between the US and Hong Kong.

Taking advantage of the relatively slower market, the Group focused resources in the last few months to upgrade our operating and sales systems to get prepared for the upturn of the market. On the marketing side, we launched a series of campaigns to retain existing clients and attract new prospects. Feedback on these campaigns has been positive and encouraging.

Product diversification and cost leadership will continue to be our primary drivers of our business strategy. At the same time, the Group will continue to diversify our income stream through wealth management initiatives and expansion of investment banking activities. The Group continue to see a rising trend of income from both the wealth management and the investment banking divisions as a percent of the total revenue.

As part of the revenue and product diversification strategy, the Group launched our asset management service in June this year to seize opportunities inherent in the high-net-worth market, and to complement our strategy of providing a full suite of services to our clients. This newly added service will allow the Group to continue to expand our customer base and to further leverage on the cross-selling synergy within the group. The Group will continue to expand and strengthen our wealth management and investment banking business.

The Group will continue in enhancing our service standard by staff training. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The Group will continue to organise training to employees in areas such as product knowledge, customer service, selling techniques, problem solving, motivation, communication and continuous professional training programmes required by regulatory bodies etc.

In September, the Group entered into an agreement for acquisition of Netfield Group, an online game developer and operator in the PRC, for a consideration of HK$110 million. The transaction is subject to the approval of the shareholders at a special general meeting. In view of the recent trend and popularity of the online game market, the Group believes that the operation of Netfield Group could in the long run generate a scalable revenue stream. With the experience and strong expertise in the operation and development of online services and the well established data base and online platform of the Company, the Board believe that the operation of Netfield Group could ride on Group to be further expanded more effectively and cost-effective. While the Group continues to grow our income from the mature brokerage business, this new strategic acquisition will allow us to participate in a high-growth business sector.

As at 30 September 2005, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$28.5 million.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2004 and up to the Latest Practicable Date. There was no significant investment held. The Group does not have any future plans for material investments or capital assets.

Looking ahead, corporate profitability would likely come under pressure as competition from local and international players intensifies and funding costs are on the rise. While the Group remain vigilant to keep our cost structure lean and effective, the Group persist to diversify our income mix through different businesses. Our goal is to position ourselves as clients' financial services house of choice with comprehensive product offerings that meet their diverse financial needs.

EFFECTS OF THE TRANSACTIONS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Earnings

After the completion of the Acquisition, all the loss of the Netfield Group before completion of the Acquisition will be accounted for as the pre-acquisition loss in the financial statements which shall not have any effect on earnings on the Group.

The proceeds from the Placing, the top up of Shares and the Subscription will increase the cash and bank balances of the Group but will not have any effects on its earnings upon the completion of these transactions.

Net assets

Based on the pro forma statement of assets and liabilities of the Group outlined in Appendix III to this circular, assuming the Acquisition had taken place on 30 June 2005, the Consideration for the Acquisition was HK$110,000,000 and the net assets value of the Netfield Group was HK$7,667,000, and the goodwill on consolidation upon completion of the Acquisition was HK$102,333,000. The total amount of net asset value of HK$7,667,000 acquired plus the goodwill of HK$102,333,000 after the Acquisition in the proforma statement of assets and liabilities was HK$110,000,000, being the same as the Consideration.

The total net proceeds from the Placing, the top up of Shares and the Subscription will increase the net assets of the Group by approximately HK$168,000,000.

FINANCIAL INFORMATION OF NETFIELD GROUP

The Netfield Group commenced online game business in January 2005. The following audited figures of the Netfield Group are extracted from the Accountants' Report of the Netfield Group in Appendix II to this circular. The audited net losses before and after taxation of the Netfield Group for the period from 31 October 2004 to 31 December 2004 were both RMB0. There was no set up cost for Netfield Group during the period from 31 October 2004 to 31 December 2004. Moli Group Limited was acquired by Netfield on 31 October 2004 at a consideration US$1 (equivalent to approximately RMB8.19) instead of setting up as a new company. The US$1 was shown as share capital in the balance sheet of Netfield. The audited net losses before and after taxation of the Netfield Group for the 8-month period ended 31 August 2005 were both about RMB17.6 million (equivalent to approximately HK$16.8 million). The audited consolidated net assets value of the Netfield Group as at 31 December 2004 and 31 August 2005 were about US$1 (equivalent to approximately RMB8.19) and deficit of RMB17.6 million (equivalent to approximately HK$16.8 million) respectively.

BUSINESS, DISCUSSION AND ANALYSIS OF NETFIELD GROUP

Business and financial review for the period ended 31 August 2005

The Netfield Group commenced online game business at the beginning of 2005 and is an online game developer and operator in China. The rapid development of the internet in China in the recent years has led to the development and growth of the online game industry. According to International Data Corporation ("IDC") (the premier global provider of market intelligence, advisory services, and events for the information technology and telecommunications industries), the online game industry in China has seen a 48% growth in revenue in 2004 alone. It is estimated that the market will grow steadily over the next five years in view of rapid penetration of PC, internet and broadband network, and of wide acceptance of online games by both younger and older gamers as a popular entertainment at affordable prices. Since its commencement of the online game in January 2005, the Netfield Group had set up its own research and development team in Shanghai and successfully developed its first three-dimensional massively multiplayer online role-playing game ("MMORPG) – "King of Pirate", which is accessible nationwide in China through its self-developed game portal – www.moliyo.com. Since the launch of the test run on the "King of Pirate" in August 2005, approximately 1.1 million of players had already registered to play the online game via its game portal at www.moliyo.com as at the Latest Practicable Date. The Netfield Group had started to charge its subscribers for playing the game by monthly subscription at a fee of RMB30 and/or on a usage basis at a fee of RMB0.4 per hour since the official launch of the game on 15 November 2005. The Netfield Group had been developing other MMORPGs and casual games which were in final development phase. The Netfield Group has started to charge subscribers for playing the online games from 15 November 2005.

Besides operating its own developed games, the Netfield Group had also obtained exclusive licenses from both overseas and domestic producers to localize and operate games, including board games, card games, puzzles, and various forms of trivia on the online game platform. Customers or players would be charged by monthly subscription or on a usage basis by purchasing prepaid cards online or through its established, extensive distribution network including convenience stores, software outlets and internet cafes throughout China.

Its game portal at www.moliyo.com is also an entertainment platform, providing contents through internet, including those focused on entertainment information of lifestyle and broad array of free and fee-based services such as MMORPG games, casual games, music, cartoon series, chat-room, e-mail and e-greeting cards.

The Netfield Group recorded an audited net loss of RMB17.6 million after taking into accounts the costs incurred before the commercial launch of the MMORPGs and casual games. The costs consisted mainly of staff costs of its research and development team and the sales and marketing costs to promote the online games.

Taking into account the reported loss for the period, the Netfield Group's total shareholders' equity stood at a deficit of RMB17.6 million on 31 August 2005.

With the operations being financed by a shareholder of the Netfield Group, the cash and bank balances were RMB7.8 million as at 31 August 2005 and there were no bank borrowings or charge on its group assets on the same day.

As at 31 August 2005, the Netfield Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. The Netfield Group had no material contingent liabilities.

At 31 August 2005, the Netfield Group was not holding any material investment. During the eight months ended 31 August 2005, the Netfield Group did not make any material acquisitions or disposals nor did it hold any significant investment. The Netfield Group does not have any future plans for material investments or addition of capital assets.

Employee information

As at 31 August 2005, the Netfield Group had a total of 120 employees. Total staff costs amounted to RMB5.5 million. Remunerations for the Netfield Group's employees were determined on the basis of their performance, experience and prevailing practice in the retail industry. The Netfield Group regularly reviews its compensation policies and remuneration packages. Apart from basic salary, welfare allowance and performance bonus, the Netfield Group also provides its employees with medical and other subsidies. The Netfield Group also contributes to the retirement benefit plans organized by the government under which the Netfield Group and its employees are required to make monthly contributions to these plans at certain percentages of the employees' salaries during the relevant periods.

GENERAL MANDATE REFRESHMENT

The new issue general mandate granted by the Shareholders to the Board has been used up by 96.1% as the top up placing was completed on 5 October 2005. The repurchase mandate granted by the Shareholders to the Board at the last annual general meeting held on 30 May 2005 has not yet been utilised as at the Latest Practicable Date. No such new issue general mandate or repurchase mandate has been refreshed since the last annual general meeting. The Board therefore proposed to pass an ordinary resolution in the SGM to refresh the 20% general mandate so as to allow flexibility to the Board for the issue of a maximum of 208,976,289 new Shares (being 20% of the Shares then in issue at the date of the SGM assuming the number of issued 1,044,881,448 Shares as at the Latest Practicable Date has not been changed) in future. The General Mandate Refreshment will be subject to the Independent Shareholders' approval, and CIGL and its Associates will abstain from voting at the SGM for the General Mandate Refreshment.

CAPITAL INCREASE

In order to facilitate the issue of any new Shares that may be issuable in future, an ordinary resolution will be proposed at the SGM to increase the authorized share capital of the Company from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 Shares. Save as disclosed in this circular, the Company has no present plan to issue any further Shares.

FUND RAISING FOR THE PAST 12 MONTHS

Pursuant to the subscription agreement dated 16 August 2004, a total of 132 million new Shares have been issued to CIGL at HK$0.27 per Share on 15 September 2005, raising a total of HK$35.64 million. The fund was raised for strengthening the funding support and capital base of the Company. The fund has not been used and will be applied as to approximately 60% (approximately HK$21.38 million) to support the expanding share margin financing portfolio of the Company, as to approximately 20% (approximately HK$7.13 million) to facilitate growth in the securities brokerage business and financial services for the mutual funds and insurance-linked investment products of the Company in line with market development, and the balance of approximately HK$7.13 million for general working capital purposes.

Pursuant to the top up agreement dated 15 September 2005, a total of 145 million new Shares have been issued to CIGL at HK$0.40 per Share on 5 October 2005, raising a total of HK$58.0 million. The fund was used to pay the deposit upon signing the S&P Agreement.

Save for the aforesaid, the Company had no fund raising activity in the past 12 months.

GENERAL

The principal activities of the Group is financial services which consist of (a) online and traditional brokerage of securities, futures, commodities, options as well as mutual funds and insurance-linked investment products, (b) margin financing, (c) corporate finance, and (d) other financial services.

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Placing Shares and the Subscription Shares.

SGM

Set out on pages 149 to 152 of this circular is a notice convening the SGM to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong at 9:30 am on 20 December 2005 at which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Shareholders:

(a) the approval of the S&P Agreement;

(b) the approval of the Placing Agreement by poll vote, to which the CIGL, the placees of the Placing Shares, and their respective Associates are required to abstain from voting;

(c) the approval of the Subscription Agreement by poll vote, to which the CIGL and its Associates shall abstain from voting in accordance with the GEM Listing Rules;

(d) the approval of the Capital Increase; and

(e) the approval of the General Mandate Refreshment by poll vote, to which the CIGL and its Associates shall abstain from voting in accordance with the GEM Listing Rules.

The above resolutions (b), (c) and (e) will be voted by way of poll at the SGM. A form of proxy for use at the SGM is enclosed with this circular. If you are not able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish.

PROCEDURE TO DEMAND A POLL BY SHAREHOLDERS

Shareholders may demand a resolution to be taken by poll if:

(1) the demand is raised before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll); and

(2) the demand is made by:

  (a) at least 3 Registered Shareholders (as represented personally, or by proxy, or by corporate representative) entitled to vote at the meeting; or

  (b) a Registered Shareholder or Registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) representing not less than 10% of the total voting rights of all Shares in issue that entitle the holders to vote at the meeting.

RECOMMENDATION

In relation to the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment, your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 27 to 42 of this circular. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that (i) the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole; and (ii) the General Mandate Refreshment is in the interest of the Company and the Shareholders as a whole, and it therefore recommends the Independent Shareholders to vote in favour of the resolutions numbered 2, 3 and 5 relating to (i) the Placing Agreement; (ii) the Subscription Agreement; and (iii) the General Mandate Refreshment respectively at the SGM.

The Directors are also of the view that the proposed resolution in relation to the Acquisition is in the interests of the Company and its Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the ordinary resolution numbered 1 as set out in the notice of the SGM.

In order to facilitate the issue of any new Shares that may be issuable in future, the Directors recommend the Shareholders to vote in favour of the Capital Increase in the ordinary resolution numbered 4 as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular including the general information on the Group as set out in Appendix IV.

On behalf of the Board
Bankee P Kwan
Chairman

FINANCIAL SERVICES GROUP
時富金融服務集團

CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #8122)

30 November 2005

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED PLACING OF 155 MILLION NEW SHARES

CONNECTED TRANSACTION PROPOSED ISSUE OF 120 MILLION NEW SHARES TO CONTROLLING SHAREHOLDER

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

We refer to the circular dated 30 November 2005 of the Company ("Circular") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder, and the General Mandate Refreshment and to advise the Independent Shareholders whether, in our opinion, the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder are fair and reasonable so far as the Independent Shareholders as a whole are concerned and is in the interests of the Company and the Shareholders as a whole and the General Mandate Refreshment is in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee in respect of the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder, and the General Mandate Refreshment.

We wish to draw your attention to the letter from the Board set out on pages 5 to 26 of the Circular which contains, inter alia, information on the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment and the letter from the Independent Financial Adviser set out on pages 29 to 42 of the Circular which contains its advice in respect of the terms of the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment.

Having taken into account the advice of the Independent Financial Adviser, we consider the entering into of the Placing Agreement and the Subscription Agreement and the respective terms thereunder are fair and reasonable so far as the Independent Shareholders are concerned as a whole and in the interests of the Company and the Shareholders as a whole and the General Mandate Refreshment is in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions numbered 2, 3 and 5 to be proposed at the SGM to approve the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment.

Yours faithfully
Independent Board Committee
Cheng Shu Shing Raymond
Hui Ka Wah Ronnie
Lo Kwok Hung John
Independent non-executive Directors

The following is the text of a letter to the Independent Board Committee from the Independent Financial Adviser in respect of the Placing Agreement, the Subscription Agreement and the General Mandate Refreshment prepared for the purpose of incorporation in this circular.

VINCO 域高

Grand Vinco Capital Limited

Unit 4909-4910, 49/F, The Center, 99 Queen's Road Central, Hong Kong

30 November 2005

The Independent Board Committee and the Independent Shareholders
CASH Financial Services Group Limited
21/F The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

PROPOSED PLACING OF 155 MILLION NEW SHARES
CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF 120 MILLION NEW SHARES
TO CONTROLLING SHAREHOLDER
PROPOSED REFRESHMENT OF NEW ISSUE GENERAL MANDATE

We refer to our engagement to advise the independent board committee of the Company ("Independent Board Committee") and Independent Shareholders in respect of the (i) Placing, (ii) Subscription Agreement and (iii) General Mandate Refreshment, details of which are set out in the circular of the Company dated 30 November 2005 ("Circular") to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

According to the Announcement, the Company has entered into the S&P Agreement, pursuant to which the Purchaser agreed, subject to the S&P Conditions, to acquire from the Vendor the Sale Shares (being the 100% interest in Netfield and all outstanding loans due from Netfield to the Vendor) at the Consideration of HK$110 million in cash to be satisfied by internal resources and the proceeds from top-up placing which was completed on 5 October 2005 ("Top Up") and Placing. Pursuant to the Placing Agreement, the Company agreed to place, subject to Independent Shareholders approval and other conditions of the Placing Agreement being fulfilled, 155 million new Shares of the Company at HK$0.40 per Share, to more than 6 placees who are not connected with the Company, its subsidiaries nor any of their Directors, chief executives and substantial Shareholders or any of their respective Associates, or the Vendor or its Associates. Up to Latest Practicable Date, the list of placees has not been confirmed.

In addition, the Company also entered into the conditional Subscription Agreement with CIGL, the controlling shareholder of the Company and a wholly owned subsidiary of CASH on 15 September 2005. Pursuant to the Subscription Agreement, the Company agreed to issue and the CIGL agreed to subscribe for the 120 million new shares of the Company at HK$0.40, subject to the conditions of the Subscription Agreement and Placing Agreement being fulfilled. CIGL is a controlling shareholder of the Company and therefore a connected person of the Company under the GEM Listing Rules. Accordingly, the issue of new Shares under the Subscription Agreement to CIGL constitutes a connected transaction under Chapter 20 of the GEM Listing Rules, and requires the prior approval of the Independent Shareholders at the SGM at which CIGL or any of their Associates will abstain from voting.

Upon Completion of the Top Up on 5 October 2005, 145,000,000 new Shares ("Top Up Shares") had been issued at HK$0.40 per Share ("Top Up Price") under the general mandate granted to the Board on 30 May 2005, representing 96.1% of the general mandate. The Board therefore proposed to refresh the 20% general mandate so as to allow flexibility to the Board for the issue of other new Shares in the future. In accordance with Rule 17.42A of the GEM Listing Rules, the general mandate refreshment will be subject to the prior approval of the Independent Shareholders at the SGM which CIGL or any of their respective Associates will abstain from voting.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether or not the terms of the (i) Placing, (ii) Subscription Agreement and (iii) General Mandate Refreshment are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising the Company's three independent non-executive Directors, namely Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, has been formed to advise the Independent Shareholders as to whether the terms of (i) Placing, (ii) Subscription Agreement and (iii) General Mandate Refreshment are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to (i) Placing, (ii) Subscription Agreement and (iii) General Mandate Refreshment, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We are not aware that any statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were untrue and incorrect in all respects at the time they were made and continued to be so as at the date of despatch of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and are not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the executive Directors. We have not, however, carried out any independent in-depth investigation into the affairs of the Company and its subsidiaries.

BACKGROUND AND REASONS FOR PLACING AND SUBSCRIPTION

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Placing and Subscription, we have taken the following principal factors and reasons into consideration:

Background and reasons for the Placing and Subscription

The Group is principally engaged in the provision of financial services which consist of (a) online and traditional brokerage of securities, options, futures and leverage foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading services, (b) margin financing, (c) corporate finance, and (d) other financial services. The Directors believe that the Acquisition is in line with the corporate strategy of the Group because, as stated in the letter from the Board, the Group has been seeking opportunities to enhance its services and widen its product range, using its robust systems and in-depth knowledge of the financial markets to broaden the financial horizons for its customers.

As stated in the letter from the Board, entering into the Placing Agreement is to raise fund to settle the balance of the Consideration, ie HK$55 million, and the reason for entering into the Subscription Agreement by CIGL is to maintain a sufficient level of shareholding in the Company to enable CIGL to remain as the controlling shareholder of the Company.

The Placing

With reference to the interim report of the Company for the six month ended 30 June 2005 ("interim report"), we note that the Company had net cash position of approximately HK$97.8 million. It appears that the Group has sufficient cash to settle the remaining consideration upon Completion. However, as the Group is principally engaged in the provision of financial services which consists of online and traditional brokerage of full range of financial products and margin financing, under the Securities and Futures Ordinance, the Company is required to maintain a certain level of liquid capital which includes but not limited to cash. In addition, in the event of provision of margin financing business, the Company has to keep additional fund to support the margin lending. Furthermore, should the Company enter into the underwriting of some giant Initial Public Offers, it will inevitably increase the level of required liquid capital in order to fulfill the financial resources rules requirement. As discussed with the management of the Company that the current level of cash position represents a sufficient liquid capital level. We are of the opinion that entering into the Placing Agreement to generate cash for ad hoc investment in Netfield is appropriate in this case because the capacity of the Group to carry out its brokerage and margin financing businesses will not be affected. Furthermore, the allotment and issue of new shares of the Group, which includes but not limited to Top Up Shares and Placing Shares, are beneficial to the Group and the Shareholders as a whole as it will broaden the capital and shareholder base of the Group and thereby increase the liquidity of the Shares.

According to the Directors, they have also considered other fund raising alternative namely, rights issue or debt financing. However, taking into consideration of the current highly leveraged financial position of the Group, current favourable equity market condition in Hong Kong and the relatively shorter time frame required, the Directors consider Placing is the most appropriate arrangement as compared to other fund raising methods. Having considered that current trend of interest rates is moving upward, debt financing may impose further financial risk of eroding the profit generated from the Enlarged Group. Furthermore, we consider that given the then market sentiment and the Consideration is quite substantial, we had reservation on the possibility of success of using rights issue as a financing tool. A substantial discount or substantial number of

Shares may be required if the rights issue is selected for such large amounts. Under all such circumstances, the existing Shareholders would experience immediate pressure on the Shares price as well as possible dilution if they do not subscribe the rights Shares. Moreover, the time and cost to be involved for a rights issue will be higher than the Placing and the Subscription. We are therefore of the opinion that, under the current circumstances, the Placing represents a fair and reasonable equity fund raising arrangement.

The Subscription

The Subscription allows CIGL, the controlling Shareholder of the Company to maintain its shareholding in the Company. At the first sight, it appears that the Company did not allow the Independent Shareholders to maintain their shareholding like CIGL through rights issue or open offer. However, taking into account of the fact that the Subscription Shares are issued at a premium of approximately 27.0% to the closing price of HK$0.315 per Share on the Latest Practicable Date and approximately 5.5% premium to the average closing price of approximately HK$0.379 per Share based on the closing price as quoted on the Stock Exchange for the 5 trading days prior to 15 September 2005 (the last trading date prior to the Announcement), the Independent Shareholders are beneficial from those premium paid by CIGL. Even with the closing price of HK$0.495 per Share on 15 September 2005 (the last trading date prior to the Announcement), a 19.2% discount is still acceptable as we consider a larger discount should inevitably be provided for rights issue or open offer. Moreover, when the controlling shareholder maintains the sufficient level of shareholding in the Group, it could maintain market confidence, which is beneficial to the Company and Shareholders as a whole. In view of the above, we are of the opinion that the above advantages of the Subscription offset the disadvantage resulting from the fact that the Independent Shareholders could not top up their holdings through rights issues or open offer

Although the Group has no new investment opportunity being identified and no pressing financial need following the Top Up and Placing, as mentioned above, the Group has been seeking opportunities to enhance its services and widen its product range. In addition, the Group has to maintain adequate fund for its financial services such as brokerage and the margin financing business of the Company to facilitate growth in those areas. We are of the view that the Subscription would give additional financing resources for and enhance the financial flexibility of the Group as to invest should any appropriate investment opportunities arise or to expand its existing businesses as the Directors may see fit. In view of the above, we are of the opinion that Subscription is beneficial to Company and the Independent Shareholders as a whole.

Consideration

I Fund Raising Activity

During the past 12 months immediately preceding the Latest Practicable Date, the Company has entered into a top up agreement on 15 September 2005, pursuant to which, a total of 145 million new Shares have been issued to CIGL at HK$0.40 per Share on 5 October 2005, raising a total of HK$58.0 million. The fund was used to pay the deposit upon signing the S&P Agreement. On the other hand, a total of 132 million new Shares had been issued to CIGL at HK$0.27 per Share pursuant to the subscription agreement dated 16 August 2004, raising a total of HK$35.64 million. The fund was raised for strengthening the funding support and capital base of the Company. The fund has not yet been used and will be applied as to approximately 60% (approximately HK$21.38 million) to support the expansion of the share margin financing portfolio of the Company, as to approximately 20% (approximately HK$7.13 million) to facilitate growth in the securities brokerage business and financial services for the mutual funds and insurance-linked investment products of the Company in line with market development, and the balance of approximately HK$7.13 million for general working capital purposes.

Save for the aforesaid, there were no placing or subscription exercises done.

II The Placing Price and Subscription Price

Both Placing Price and Subscription Price are HK$0.40 per Share ("Price"), which represents:

– approximately 19.20% discount to the closing price of HK$0.495 per Share on 15 September 2005 (the last trading day prior to the Announcement);

– approximately 5.5% premium to the average closing price of approximately HK$0. 379 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days prior to 15 September 2005 (the last trading date prior to the Announcement);

– approximately 27.0% premium to closing price of approximately HK$0.315 per Share as quoted on the Latest Practicable Date; and

– approximately 23.8% premium over the latest unaudited net asset value of HK$0.323 per Share based on the audited net assets of the Group as at 30 June 2005.

The Subscription Price and Placing Price are the same as the Top Up Price as disclosed in the Announcement. We are of the opinion that there is no preferential price offered to the placee(s) and CIGL under the Placing Agreement and the Subscription Agreement respectively.

Moreover, to assess the fairness and reasonableness of the Placing Price and the Subscription Price, we have also investigated into the recent transactions in the last thirty days immediately prior to the Announcement related to the issues of new shares under subscription/placing denominated in Hong Kong dollars conducted by the Main board and GEM board listed companies in Hong Kong. We have identified 14 transactions ("Comparables") and a summary of key terms of these relevant transactions is set out below:

Name of the issuer (Stock code)	**Announcement Date**	**Premium/ (Discounts) to the closing share price immediately prior to the release of the relevant announcement**	**Premium/ (Discounts) to the average closing share price for the last five trading days immediately prior to the release of the relevant announcement**
Global Digital Creations Holdings Limited (8271)	25/8/2005	0%	0%
Wonson International Holdings Limited (651)	24/8/2005	(10.71%)	(13.79%)
Lifestyle International Holdings Limited (1212)	30/8/2005	(6.69%)	(9.84%)
Petrochina Company Limited (857)	31/8/2005	(2.4%)	(4.0%)
Greater China Holdings Limited (431)	5/9/2005	(5.66%)	(4.58%)
Pacific Basin Shipping Limited (2343)	6/9/2005	(5.5%)	1.40%
Riche Multi-media Holdings Ltd. (764)	7/9/2005	(6.85%)	(6.59%)
Pacific Basin Shipping Limited (2343)	7/9/2005	(2.2%)	2.04%
Techtronic Industries Co. Ltd. (669)	8/9/2005	(3.75%)	(3.61%)

Name of the issuer (Stock code)	Announcement Date	Premium/ (Discounts) to the closing share price immediately prior to the release of the relevant announcement	Premium/ (Discounts) to the average closing share price for the last five trading days immediately prior to the release of the relevant announcement
China Sciences Conservational Power Limited (351)	9/9/2005	(6.17%)	(1.55%)
Zhong Hua International Holdings Limited (1064)	12/9/2005	2.90%	2.90%
New World Mobile Holdings Limited (862)	12/9/2005	(10.3%)	(7.8%)
Anex International Holdings Limited (723)	15/9/2005	16.28%	5.49%
Wing Shing International Holdings Limited (850)	21/09/2005	(21.74%)	(13.88%)
Average:		(4.49%)	(3.84%)
The Company		(19.20%)	5.50%

The data is sourced from www.hkex.com.hk

According to the summary above, we note that (i) the premium/discount to the closing share prices immediately prior to the release of the relevant announcement of the Comparables ranged from a premium of 16.28% to a discount of 21.74% ("First Comparable Range"); and (ii) the premium/discount to the closing price of the last five trading days immediately prior to the relevant announcement of the Comparables ranged from a premium of 5.49% to a discount of 13.88% ("Second Comparable Range").

Although the Price represents a discount of 19.20% to the closing price of HK$0.495 per Share on 15 September 2005 ("Discount Rate") (the last trading day prior to the date of this announcement), we are of the opinion that it is comparable as it is still within the First Comparable Range. In addition, it also represents approximately 5.50% premium to the average closing price of approximately HK$0.379 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days prior to 15 September 2005 ("Premium Rate") and is a premium of approximately 27.0% to the closing price of HK$0.315 per Share on the Latest Practicable Date. Moreover, given that (i) no preferential price has been offered in relation to the Placing and the Subscription; (ii) the Discount Rate is within the First Comparable Range; and (iii) the Premium Rate is higher than the Comparables in the Second Comparable Range, we consider that the Placing Price and Subscription Price are fair and reasonable as far as the Independent Shareholders are concerned.

The effects of the Placing and the Subscription

I Net assets value

The unaudited net assets value of the Company will be increased by approximately HK$62 million and HK$48 million as result of the Placing and the Subscription respectively. Moreover, as disclosed in the unaudited pro forma statement of assets and liabilities of the Enlarged Group in the Appendix III to the Circular, consolidated net assets value of the Company prior to the completion of the Placing and the Subscription is approximately HK$303 million (being the total of approximately HK$245 million as at 30 June 2005 and approximately HK$58 million from the proceeds of th Top Up), equivalent to approximately HK$0.29 per Share on the basis of 1,044,881,448 Shares in issue upon completion of the Top Up and as at the Latest Practicable Date ("Consolidated NAV per Share"). The adjusted combined net assets value of the Enlarged Group assuming that the completion of both the Placing and the Subscription have taken place amounts to approximately HK$413 million, equivalent to approximately HK$0.31 per Share on the basis of 1,319,881,448 Shares in issue upon completion of the Placing and the Subscription, which represents an increase of 6.9% as compared to the Consolidated NAV per Share. Hence, it is expected that there will be an increase in net assets value on a group basis and on a per share basis upon completion of the Placing and the Subscription.

Given (1) there is no preferential price offered to the subscriber of the Subscription and placees of the Placing as compared with the placees of the Top Up since they all are the same at HK$0.40 per Share and (2) although this price represents a discount of 19.2% to the closing price of HK$0.495 per Share on 15 September 2005 (the last trading day prior to the date of this announcement), it is a premium of approximately 27.0% to the closing price of HK$0.315 per Share on the Latest Practicable Date. We are of the opinion that the increase of the unaudited net assets value of the Company by approximately HK$110 million after the Placing and the Subscription is in the interest of the Company and the Shareholders as a whole and therefore is fair and reasonable as far as the Independent Shareholders are concerned.

II Gearing ratio

As at 30 June 2005, the total debts of the Group amounted to approximately HK$202,663,000, of which HK$166,599,000 is the current portion, which represents a total debt to equity ratio ("Gearing Ratio") of approximately 83.21%. As stated in the letter from the Board that the Group will require another HK$55 million, which is expected to be raised from the proceeds of the Placing, to settle the balance of payment upon completion of the Acquisition. The balance payment to be settled by way of equity financing will increase the equity amount by the HK$55 million. Assuming the debt level remain unchanged, the Gearing Ratio of the Group will be improved.

As at 30 June 2005, the Group had bank balances and cash of approximately HK$97.8 million. However, equity base of the Group will be increased by HK$48.0 million and the financial position will be further strengthen if CIGL injects more resources into the Group by way of Subscription. Similarly, assuming the debt level remain unchanged, the Gearing Ratio of the Group will be further improved following the Subscription.

III Effect on shareholdings structure

We set out below a table showing the shareholding structure of the Company upon the issue of the Placing Shares and the Subscription Shares:

Shareholder	**As at Latest Practicable Date**		**After issue of the Placing Shares**		**After issue of the Placing Shares and the Subscription Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
CIGL and its subsidiaries	518,827,434	49.65	518,827,434	43.24	638,827,434	48.40
Other Directors, CASH Directors and their respective Associates	18,212,000	1.74	18,212,000	1.52	18,212,000	1.38
Vendor and its Associates	142,500	0.01	142,500	0.01	142,500	0.01
Public						
Placees of Placing Shares	145,000,000	13.89	300,000,000	25.00	300,000,000	22.73
Existing public	362,699,514	34.71	362,699,514	30.23	362,699,514	27.48
Sub-total	507,699,514	48.60	662,699,514	55.23	662,699,514	50.21
Total	1,044,881,448	100.00	1,199,881,448	100.00	1,319,881,448	100.00

Upon issue of the Placing Shares, the total number of Shares will increase from 1,044,881,448 to 1,199,881,448 while the shareholding of CIGL in the Company has decreased from 49.65% to 43.24%. Therefore, in order to maintain the position of controlling shareholder of the Company, CIGL subscribes more new shares of the Company, though the percentage of shareholding of CIGL in the Company after the Subscription (48.40%) will still be lower than its existing shareholding (49.65%).

Immediately upon the issue of the Placing Shares, the shareholding of the existing public Shareholders in the Company will be diluted from the current level of approximately 34.71% to approximately 30.23%. Assuming the Subscription Shares to be issued in full after the issue of the Placing Shares, the shareholding of the existing public Shareholders in the Company will further be diluted from the level of approximately 30.23% to approximately 27.48%. As mentioned under the paragraph "Background and reasons for the Placing and Subscription", we had concluded that the Placing and Subscription are in the interest of the Group by taking into account of the dilution effect of the existing Shareholders, we are of the opinion that the potential dilution effect on the shareholding of the existing Shareholders is fair and reasonable so far as the Independent Shareholders are concerned.

GENERAL MANDATE REFRESHMENT

Upon completion of the Top Up on 5 October 2005, 96.1% of the current general mandate had been used up and the Board therefore proposed to pass an ordinary resolution in the SGM to refresh the 20% general mandate, ("General Mandate") so as to allow flexibility to the Board for the issue of other new Shares in the future. As at the Latest Practicable Date, the Company has an aggregate of 1,044,881,448 Shares in issue, which do not include any Shares to be issued under the Placing and Subscription, and the Company would be allowed under the General Mandate to allot and issue up to a maximum amount of 208,976,289 new Shares (being 20% of the 1,044,881,448 Shares in issue).

In according with Rule 17.42A of the GEM Listing Rule, the General Mandate Refreshment requires the approval of the Independent Shareholder at which the controlling Shareholder and his Associates shall abstain from voting at the SGM. As at the Latest Practicable Date, CIGL being the single largest shareholder of the Company, held approximately 49.65% of the issued Shares. Therefore, CIGL and its respective Associates will abstain from voting of the SGM in relation to the General Mandate Refreshment.

In arriving at our opinion in respect of the fairness and reasonableness of the General Mandate Refreshment, we have considered the following factors:

(a) Financial flexibility

As mentioned in the Company's annual report for the year ended 31 December 2004, the Board intends to diversify it product mix and revenue resources. As a step to achieve its objective, the Group entered into the Acquisition. As advised by the Directors, the Group will continue to search for potential investment opportunities that will strike for a higher return for the Shareholders. While the Directors have confirmed that there is no immediate plan formulated as at the Latest Practicable Date, the Group would not rule out any future chances to expand through acquisitions. The Directors confirmed that if the potential investment offers attractive terms for investment, they will consider and/or may conduct an equity fund raising exercise by issuing new Shares, which may or may not result in the exercise of the General Mandate for further development of the Group.

The General Mandate would provide the Group with the maximum flexibility as allowed under the GEM Listing Rules to allot and issue new Shares to raise capital through placing of new Shares as consideration for the future acquisitions as and when such opportunities arise. The increased amount of capital which may be raised under the General Mandate provides more options of financing to the Group when assessing and negotiating potential acquisitions in a timely manner. In this respect, we are of the view that the General Mandate Refreshment is in the interests of the Company and the Independent Shareholders as a whole.

(b) Financing alternative

Other than raising fund by way of issuing equity capital, the Directors have also considered other financing methods such as debt financing in order to meet its financing requirements arising from the Group's future business development. However, the use of debt financing will inevitably create additional interest burden and worsen the gearing position of the Group, both of which will affect the Group's performance. As advised by the Directors, the General Mandate provides another alternative to the Directors to finance the Group's businesses growth and enable the Directors to react quickly and select the method which serves the best interest of the Group, depending on the then financial position of the Group and the market condition. We consider that it is a sensible consideration to make reference to the then and market condition in order to decide on the source of financing to finance the Group's business plan. While the Directors have confirmed that there is no immediate plan to utilize the General Mandate, we are of the opinion that the General Mandate provides an extra financing alternative to the Group for the Directors to utilize under different market conditions.

(c) Potential dilution to shareholding of the Independent Shareholders

The following table set out the shareholding structures of the Company before and after the issue of the Placing Shares, Subscription Shares and full utilization of the General Mandate:

Shareholder	As at Latest Practicable Date		Issued Shares with full utilization of the General Mandate		Issued Shares with full utilization of the General Mandate after issue of the Placing Shares and the Subscription Shares	
	Number of Shares	*%*	*Number of Shares*	*%*	*Number of Shares*	*%*
CIGL and its subsidiaries	518,827,434	49.65	518,827,434	41.38	638,827,434	41.78
Other Directors, CASH Directors and their respective Associates	18,212,000	1.74	18,212,000	1.45	18,212,000	1.19
Vendor and its Associates	142,500	0.01	142,500	0.01	142,500	0.01
Public						
Placees of Placing Shares	145,000,000	13.89	145,000,000	11.56	300,000,000	19.62
Existing public	362,699,514	34.71	362,699,514	28.93	362,699,514	23.73
Sub-total	507,699,514	48.60	507,699,514	40.49	662,699,514	43.35
Shares issued under the General Mandate	–	–	208,976,289	16.67	208,976,289	13.67
Total	1,044,881,448	100.00	1,253,857,737	100.00	1,528,857,737	100.00

Upon full utilization of the General Mandate, 208,976,289 Shares will be issued, representing approximately 16.67% and 13.67% of the issued share capital as enlarged by the General Mandate and the issued share capital as enlarged by the Placing Shares, Subscription Shares and General mandate respectively.

The aggregate shareholding interest of the existing public Shareholders will decrease from approximately 34.71% to approximately 28.93% upon full utilization of the General Mandate prior to the issue of the Placing Shares and Subscription Shares. Taking into account that the General Mandate (i) will enhance the financial flexibility of the Group; (ii) will provide more options of financing to the Group for further development of its business and to capture other investment prospects as and when such opportunities arise; and (iii) will dilute the shareholdings of all the Shareholders to the same extent upon utilization of the General Mandate, we are of the view that such potential dilution to shareholdings of the Independent Shareholders is acceptable as the Independent Shareholders will be able to enjoy the result of the future opportunities.

CONCLUSION

Having taken into consideration of the principal factors and reasons, in particular,

(i) Given that the other financing alternatives, include but not limited to debt financing and rights issue, may not be appropriate to the Company under the current situation;

(ii) the Placing is for the purpose of financing the Acquisition which, according to the Directors, is in line with corporate strategy of the Group while the purpose of the Subscription is for the controlling shareholder to maintain sufficient level of shareholding in the Company and to maintain the market confidence on the Group;

(iii) the terms of the Placing Agreement and the Subscription Agreement are on normal commercial terms;

(iv) the Price, being HK$0.40, are the same as the Top Up Price, therefore there are no preferential price offered to the CIGL under the Subscription Agreement and placee(s) under the Placing Agreement;

(v) although the Placing Price and the Subscription Price represents a discount of 19.2% to the closing price of HK$0.495 per Share on 15 September 2005, it is also a premium of approximately 27.0% to the closing price of HK$0.315 per Share on the Latest Practicable Date. Moreover, the price is within the First Comparable Range and the Second Comparable Range as discussed in sub-section headed "Consideration";

(vi) both unaudited net assets value of the Company and the unaudited net assets value per Share will be increased after the Placing and the Subscription; and

(vii) the improvement in the overall financial position of the Company in spite of the dilution effect on the shareholding of the Independent Shareholders in the Company.

we are of the view that the Placing Agreement and the Subscription Agreement (collectively, "Agreements") are in the interests of the Company and its Shareholders as a whole and the terms and conditions of the Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. Moreover, having considered the reasons, in particular, (i) the enhancement of the financial flexibility to the Company; (ii) the additional financing alternative available to the Company; and (iii) the potential dilution effect to shareholdings of the Independent Shareholders, we are of the opinion that the General Mandate Refreshment is in the interests of the Company and Independent Shareholders as a whole.

Yours faithfully
For and on behalf of
Grand Vinco Capital Limited

Alister Chung	**Ivan Chan**
Managing Director	*Director*

1. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2005

Set out below is an extract of the financial information of the Group from its interim report for the six months ended 30 June 2005.

(A) Consolidated Income Statement

For the six months ended 30 June 2005

		Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2005	**2004**	**2005**	**2004**
	Notes	*HK$'000*	*HK$'000* (restated)	*HK$'000*	*HK$'000* (restated)
Turnover	*(2)*	46,448	57,097	97,928	125,773
Other operating income		427	2,364	730	4,415
Write back of bad and doubtful debts		–	3,013	–	3,013
Salaries, allowance and commission		(24,264)	(24,074)	(50,268)	(57,183)
Other operational and administrative expenses		(13,629)	(16,954)	(27,589)	(31,051)
Depreciation and amortisation		(3,334)	(5,373)	(7,142)	(9,902)
Net realised and unrealised gains on financial assets at fair value through profit or loss		2,551	–	2,903	–
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		–	(9,421)	–	(5,061)
Finance costs		(3,231)	(731)	(4,592)	(2,901)
Profit before taxation		4,968	5,921	11,970	27,103
Taxation	*(4)*	(100)	(250)	(150)	(250)
Profit for the period		4,868	5,671	11,820	26,853
Attributable to shareholders:					
Equity holders of the Company		4,511	5,326	11,208	26,126
Minority interests		357	345	612	727
		4,868	5,671	11,820	26,853
Earnings per share	*(5)*				
– Basic		0.6 cent	0.9 cent	1.5 cents	4.7 cents
– Diluted		N/A	0.9 cent	N/A	4.7 cents

(B) Consolidated Balance Sheet

As at 30 June 2005

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (restated)
Non-current assets			
Property and equipment	(6)	15,234	20,725
Goodwill		4,933	4,933
Intangible assets	(7)	8,177	9,092
Other assets		12,084	11,387
Loans receivable	(9)	16,200	18,700
		56,628	64,837
Current assets			
Accounts receivable	(8)	405,260	363,191
Loans receivable	(9)	18,402	19,651
Prepayments, deposits and other receivables		10,861	9,978
Amounts due from fellow subsidiaries		2,158	2,048
Financial assets at fair value through profit or loss		35,651	–
Investments		–	47,032
Bank deposits under conditions		16,968	16,782
Bank balances – trust and segregated accounts		306,385	433,156
Bank balances (general accounts) and cash		97,790	71,500
		893,475	963,338
Current liabilities			
Accounts payable	(10)	463,674	616,906
Accrued liabilities and other payables		38,043	34,319
Taxation payable		734	584
Obligations under finance leases – amount due within one year		146	63
Bank borrowings		166,453	96,155
		669,050	748,027
Net current assets		224,425	215,311
		281,053	280,148

	Notes	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000 (restated)
Equity			
Capital and reserves attributable to the Company's shareholders			
Share capital	*(11)*	75,456	75,456
Reserves		168,112	163,382
		243,568	238,838
Minority interests		1,421	810
Total equity		244,989	239,648
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		233	–
Convertible notes		–	40,500
Financial liability of a convertible note	*(12)*	35,831	–
		36,064	40,500
		281,053	280,148

(C) Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Unaudited six months ended 30 June 2005 HK$'000	2004 HK$'000 (restated)
Net cash (used in) from operating activities	(37,175)	4,261
Net cash used in investing activities	(2,557)	(3,735)
Net cash from financing activities	66,022	8,108
Net increase in cash and cash equivalents	26,290	8,634
Cash and cash equivalents at beginning of period	71,500	41,715
Cash and cash equivalents at end of period	97,790	50,349
Analysis of balances of cash and cash equivalents		
Bank balances (general) and cash	97,790	50,349

(D) Condensed Statement of Changes in Equity

For the six months ended 30 June 2005

		Unaudited six months ended 30 June 2005						
		Attributable to equity holders of the Company						
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Loan reserve HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2005, as previously reported as equity		75,456	61,956	186,377	–	(84,951)	–	238,838
Arising from adoption of HKAS 32		–	–	–	1,360	–	–	1,360
Balance at 1 January 2005, as previously reported as minority interests		–	–	–	–	–	810	810
Balance at 1 January 2005, as restated		75,456	61,956	186,377	1,360	(84,951)	810	241,008
Net profit for the period from 1 January 2005 to 31 March 2005		–	–	–	–	6,697	255	6,952
Balance at 31 March 2005		75,456	61,956	186,377	1,360	(78,254)	1,065	247,960
Amount transferred to set off accumulated losses	*(b)*	–	–	(12,827)	–	12,827	–	–
Arising from partial repayment of a convertible note	*(c)*	–	–	–	(292)	–	–	(292)
2004 final dividend paid		–	–	–	–	(7,546)	–	(7,546)
Net profit for the period from 1 April 2005 to 30 June 2005		–	–	–	–	4,511	357	4,868
Balance at 30 June 2005		75,456	61,956	173,550	1,068	(68,462)	1,422	244,990

		Unaudited six months ended 30 June 2004						
		Attributable to equity holders of the Company						
		Share capital	**Share premium**	**Contributed surplus**	**Loan reserve**	**Accumulated losses**	**Minority interests**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2004, as previously reported as equity		37,728	–	186,377	–	(106,229)	–	117,876
Balance at 1 January 2004, as previously reported as minority interests		–	–	–	–	–	386	386
Balance at 1 January 2004, as restated		37,728	–	186,377	–	(106,229)	386	118,262
Net profit for the period from 1 January 2004 to 31 March 2004		–	–	–	–	20,800	382	21,182
Balance at 31 March 2004		37,728	–	186,377	–	(85,429)	768	139,444
Issue of rights shares	*(a)*	37,728	64,137	–	–	–	–	101,865
Share issue expenses	*(a)*	–	(2,489)	–	–	–	–	(2,489)
Net profit for the period from 1 April 2004 to 30 June 2004		–	–	–	–	5,326	345	5,671
Balance at 30 June 2004		75,456	61,648	186,377	–	(80,103)	1,113	244,491

Notes:

(a) On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.27 per share. The proceeds before expenses, totalled approximately HK$101.9 million, as to approximately 70% was used to support its expanding share margin financing portfolio, and as to approximately 15% was used to facilitate correspondingly growth in its securities brokerage business in line with market development and the balance for general working capital purposes.

(b) Pursuant to a minutes of a directors' meeting held on 30 May 2005, an amount of HK$12,827,374 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004 of HK$5,281,810.

(c) It refers to the difference between the fair value amount allocated to the liability component of a convertible note and the repayment amount of HK$4,000,000.

(E) Notes to the Interim Accounts

(1) Basis of preparation and significant accounting policies

The unaudited interim financial statements of the Group have been prepared in accordance with the applicable requirements of the GEM Listing Rules and the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting.

The Hong Kong Institute of Certified Public Accountants ("HKICPA", formerly the Hong Kong Society of Accountants) has undertaken to converge by 1 January 2005 all Financial Reporting Standards ("HKFRSs") with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. As a result, the HKICPA has aligned HKFRSs with the requirements of IFRSs in all material respects.

The unaudited consolidated results of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong. In 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowings Costs
HKAS 24	Related Party Disclosure
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The following new and revised HKFRSs adopted by the Group during the period have resulted in changes in the Group's accounting policies which will have effects on the results of the Group for the current or prior accounting period:

HKAS 1	Presentation of Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

HKAS 1 has impacted the presentation of the following notable elements in the Group's condensed accounts:

– minority interests are presented within equity on the face of the condensed consolidated balance sheet while it was presented outside of equity previously;

– movement of minority interests is included in the consolidated statement of changes in equity while this was not required previously; and

– allocation of profit (loss) attributable to minority interests and equity holders of the Company are disclosed on the face of the condensed consolidated profit and loss account after profit for the period while the allocation to minority interests was previously disclosed as a separate line item before arriving at profit attributable to the equity holders of the Company.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to the adoption, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date was amortised over the subsequent relevant vesting period.

However, the adoption of the HKFRS 2 has no material effect on the results for current nor prior accounting periods. Accordingly, no prior period adjustment is required.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to the adoption, goodwill was:

– amortised on a straight-line basis over a period of not exceeding 20 years; and

– assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1 January 2005;

– accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ending 31 December 2005 onwards, goodwill will be tested annually for impairment, as well as when there are indications of impairment.

As this new accounting standard has no retrospective effect, no prior period adjustment is required. The adoption of this new accounting standard reduced the amortisation of goodwill of approximately HK$1,344,000 during current period as compared with the same period last year.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Before 1 January 2005, short-term investments of the Group were presented as other investments and were stated in the balance sheet at fair value, and the convertible loans were stated as liabilities in the balance sheet at their principal amount and the liability and equity components of the convertible notes were not classified and presented separately.

The adoption of HKAS 39 has no retrospective effect but has resulted the following changes:

– redesignated all short-term investments into financial assets and such redesignation has no financial effect on the current and prior accounting periods except the changes in presentation;

– reclassified and presented separately the liability and equity components of the convertible notes; and

– remeasured those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised value. The remeasurement of the convertible notes at fair value has increased the finance costs of the convertible notes for current period by approximately HK$397,000.

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies which will affect the result of the Group, but certain presentation and disclosures will be affected in this report and the 2005 annual report.

The new accounting policies adopted in the preparation of the result of the Group for the current period are:

Employee benefit costs

For share options granted under the share options scheme (the scheme approved by an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002), the fair value of the employee services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

When the options are exercised, the proceeds received will be credited to share capital (nominal value) and share premium.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and evaluated at least annually for impairment.

On disposal of a subsidiary, the attributable amount of goodwill will be included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Intangible assets are evaluated annually for impairment and reassessed for the useful life of such intangible assets.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are stated at their nominal value as reduced by appropriate allowance for irrecoverable amounts.

Investments

With effect from 1 January 2005, investments of the Group are classified to financial assets at fair value through profit or loss. This category comprises financial assets held for trading if they are acquired principally for the purpose of selling in short term.

Investments under this category are stated at their fair value. Unrealised gains and losses arising from changes in fair value are included in the profit and loss account in the period in which they arise.

Accounts payable

Accounts payable are stated at their nominal value.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the convertible note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in the shareholders' equity, net of income tax effects.

(2) Turnover

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000* (restated)
Fees and commission income	38,877	48,370	85,835	108,855
Interest income	7,571	8,727	12,093	16,918
	46,448	57,097	97,928	125,773

In prior period, loss on trading of securities, options and futures were classified as one of the items in turnover. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the comparative figure of the loss on trading of securities, options, futures and leveraged foreign exchange contracts was reclassified to conform with the current period's presentation.

(3) Income statement by business and geographical segments

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Broking	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading services
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

All of the activities of the Group are based in Hong Kong and all of the Group's turnover for both periods are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

Income statement for the six months ended 30 June 2005

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	80,983	12,093	4,852	97,928
RESULT				
Segment profit (loss)	15,680	3,876	(2,087)	17,469
Other operating income				730
Net realised and unrealised gains on financial assets at fair value through profit or loss				2,903
Unallocated corporate expenses				(9,132)
Profit before taxation				11,970
Taxation				(150)
Profit after taxation and before minority interests				11,820

Income statement for the six months ended 30 June 2004

	Broking	Financing	Corporate finance	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)			(restated)
Turnover	106,351	16,918	2,504	125,773
RESULT				
Segment profit (loss)	27,207	9,744	(4,737)	32,214
Other operating income				4,415
Loss on trading of securities, options, futures and leveraged foreign exchange contracts				(5,061)
Unallocated corporate expenses				(4,465)
Profit before taxation				27,103
Taxation				(250)
Profit after taxation and before minority interests				26,853

(4) Taxation

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

The net deferred tax asset has not 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 based on the net profit attributable to the shareholders of the Company for the three months and the six months ended 30 June 2005 together with the comparative figures for the prior periods are as follows:

	Unaudited three months ended 30 June		**Unaudited six months ended 30 June**	
	2005	**2004**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit for the purpose of basic and diluted earnings per share	4,511	5,326	11,208	26,126
Weighted average number of ordinary shares for the purpose of basic earnings per share	754,556,448	620,810,322	754,556,448	555,391,021
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible notes	N/A	213,016	N/A	213,016
Weighted average number of ordinary shares for the purpose of diluted earnings per share	754,556,448	621,023,338	754,556,448	555,604,037

No diluted earnings per share for the period in 2005 has been presented because the exercise prices of the share 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.

(6) Property and equipment

During the period, the Group spent approximately HK$395,000 (2004: HK$3,543,000) on the acquisition of property and equipment.

(7) Intangible assets

It represents the carrying value of trading rights in the exchanges in Hong Kong.

(8) Accounts receivable

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	80,561	16,168
Cash clients	45,101	86,935
Margin clients	192,644	183,287
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	81,484	72,989
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	3,470	3,302
Accounts receivable arising from the business of provision of corporate finance services	2,000	510
	405,260	363,191

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options are two days after trade date, and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Except for the loans to margin clients as mentioned below, all the accounts receivable arising from the business of dealing in securities and equity options aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in accounts receivable from margin clients arising from the business of dealing in securities is an amount due from an entity in which Mr Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	**Balance at 30.06.2005**	**Balance at 31.12.2004**	**Maximum amount outstanding during the period**
	HK$'000	*HK$'000*	*HK$'000*
Cash Guardian Limited ("Cash Guardian")	10,405	10,178	10,504

The above balances are secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients.

In respect of the commission receivable from brokerage of mutual funds and insurance-linked investment plans and products as well as accounts receivable arising from the business of provision of corporate finance services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	30 June 2005 (Unaudited)	**31 December 2004 (Audited)**
	HK$'000	*HK$'000*
0-30 days	3,369	3,182
31-60 days	1,751	189
61-90 days	50	163
Over 90 days	300	278
	5,470	3,812

(9) Loans receivable

The maturity of the loans receivable is as follows:

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Matured within 180 days	15,829	16,084
Matured between 181 days to 365 days	2,573	3,567
Matured within one year	18,402	19,651
Matured over one year	16,200	18,700
	34,602	38,351

Loans receivable with an aggregate carrying value of approximately HK$22,968,000 are secured by pledged marketable securities.

(10) Accounts payable

	30 June 2005 (Unaudited) *HK$'000*	31 December 2004 (Audited) *HK$'000*
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	271,960	353,113
Margin clients	47,912	64,168
Clearing houses, brokers and dealers	–	39,875
Accounts payable to clients arising from the business of dealing in futures and options	141,276	156,151
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	2,526	3,599
	463,674	616,906

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures, options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of these businesses.

(11) Share capital

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005 and 30 June 2005	2,000,000	200,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	754,556	75,456

(12) Financial liability of a convertible note

The convertible note was issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party. It bears interest rate of 3% per annum and will mature on 31 December 2006 or any other date mutually agreed between the Group and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to interest payment date, and is not entitled to vote at general meeting of the Company. The Company has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date.

The effective interest rate of the liability component is close to then prevailing cost of funds in our financing business.

(13) Contingent liability

With regard to the litigation with Pang Po King Cannie ("Pang") as disclosed in the annual report for the year ended 31 December 2004, at the current report date, the Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements. Besides that, the Group has no other material contingent liability outstanding.

2. AUDITED CONSOLIDATED RESULTS OF THE GROUP

(A) Consolidated Profit and Loss Account

For the year ended 31 December

Set out below are the audited consolidated profit and loss accounts of the Group for the years ended 31 December 2002, 2003 and 2004 extracted from the audited financial statements of the Group for the relevant years.

	Notes	2004 *HK$'000*	2003 *HK$'000* (restated)	2002 *HK$'000* (restated)
Turnover	*4*	239,972	191,102	195,736
Other operating income		7,710	10,313	886
Write back of (Allowance for) bad and doubtful debts		1,139	(1,073)	(63,726)
Salaries, allowances and commission	*6*	(119,559)	(93,557)	(119,499)
Other operating and administrative expenses		(58,570)	(63,352)	(81,203)
Depreciation and amortisation		(20,106)	(20,284)	(29,305)
(Loss) Profit on trading of securities, options, futures, and leveraged foreign exchange contracts		(20,140)	(4,671)	598
Finance costs	*7*	(8,387)	(6,056)	(9,418)
Loss on disposal of property and equipment		(7)	(1,364)	(5,737)
Impairment loss recognised in respect of goodwill		–	–	(95,534)
Profit (Loss) before taxation	*10*	22,052	11,058	(207,202)
Taxation	*11*	(350)	(134)	(3)
Profit (Loss) after taxation and before minority interests		21,702	10,924	(207,205)
Minority interests		(424)	(237)	–
Net profit (loss) attributable to shareholders		21,278	10,687	(207,205)
Dividend:				
Proposed final dividend of HK$0.01 per share based on 754,556,448 shares (2003: nil)		7,546	–	–
Earnings (Loss) per share	*12*			
– Basic		3.3 cents	4.0 cents	(98.6) cents
– Diluted		N/A	N/A	N/A

(B) Consolidated Balance Sheet

At 31 December

	Notes	2004 HK$'000	2003 HK$'000	2002 HK$'000
Non-current assets				
Property and equipment	13	20,725	29,501	48,547
Goodwill	15	4,933	5,903	–
Intangible assets	16	9,092	10,922	12,752
Other assets	17	11,387	12,187	14,892
Loans receivable	18	18,700	–	2,217
		64,837	58,513	78,408
Current assets				
Accounts receivable	19	363,191	489,557	172,041
Loans receivable	18	19,651	700	1,200
Prepayments, deposits and other receivables		9,978	10,651	12,521
Amounts due from fellow subsidiaries	31(g)	2,048	1,786	–
Investments	20	47,032	47,068	11,528
Bank deposits under conditions	21	16,782	16,565	611
Bank balances – trust and segregated accounts		433,156	382,056	285,020
Bank balances (general accounts) and cash		71,500	41,715	77,121
		963,338	990,098	560,042
Current liabilities				
Accounts payable	22	616,906	563,862	335,790
Accrued liabilities and other payables		34,319	28,529	28,726
Amounts due to fellow subsidiaries		–	–	2,400
Taxation payable		584	234	–
Obligations under finance leases – amount due within one year	23	63	194	271
Bank borrowings	24	96,155	212,374	99,064
		748,027	805,193	466,251
Net current assets		215,311	184,905	93,791
		280,148	243,418	172,199

	Notes	2004 HK$'000	2003 HK$'000	2002 HK$'000
Capital and reserves				
Share capital	25	75,456	37,728	10,076
Reserves	26	163,382	80,148	(38,221)
		238,838	117,876	(28,145)
Minority interests		810	386	–
Non-current liabilities				
Obligations under finance leases – amount due after one year	23	–	56	244
Convertible notes	27	40,500	125,100	200,100
		40,500	125,156	200,344
		280,148	243,418	172,199

(C) Balance Sheet

At 31 December

	Notes	2004 HK$'000	2003 HK$'000	2002 HK$'000
Non-current assets				
Property and equipment	13	34	87	1,042
Investments in subsidiaries	14	461,324	461,324	461,324
		461,358	461,411	462,366
Current assets				
Prepayments, deposits and other receivables		–	98	109
Amounts due from subsidiaries		102,620	87,349	40,382
Bank balances (general accounts)		894	896	43
		103,514	88,343	40,534
Current liabilities				
Accrued liabilities and other payables		300	–	123
Amounts due to subsidiaries		323,273	323,273	331,614
		323,573	323,273	331,737
Net current liabilities		(220,059)	(234,930)	(291,203)
		241,299	226,481	171,163
Capital and reserves				
Share capital	25	75,456	37,728	10,076
Reserves	26	125,343	63,653	(39,013)
		200,799	101,381	(28,937)
Non-current liabilities				
Convertible notes	27	40,500	125,100	200,100
		241,299	226,481	171,163

(D) Consolidated Statement of Changes in Equity

For the year ended 31 December

	Total equity
	HK$'000
At 1 January 2002	179,060
Net loss for the year	(207,205)
At 31 December 2002 and 1 January 2003	(28,145)
Issue of new shares due to conversion of a convertible note	75,000
Issue of new shares due to rights issue	62,880
Share issue expenses	(2,546)
Net profit for the year	10,687
At 31 December 2003 and 1 January 2004	117,876
Issue of new shares due to rights issue	101,865
Share issue expenses	(2,181)
Net profit for the year	21,278
At 31 December 2004	238,838

(E) Consolidated Cash Flow Statement

For the year ended 31 December

	Notes	**2004** *HK$'000*	**2003** *HK$'000*	**2002** *HK$'000*
Operating activities				
Profit before taxation		22,052	11,058	(207,202)
Adjustments for:				
Advertising and telecommunication services expenses	*28*	1,786	4,315	2,058
(Write back of) Allowance for bad and doubtful debts		(1,139)	1,073	63,726
Amortisation of goodwill		2,370	239	5,095
Amortisation of intangible assets		1,830	1,830	1,830
Depreciation of property and equipment		15,906	18,215	22,380
Impairment loss recognised in respect of goodwill		–	–	95,534
Interest expenses		8,387	6,056	9,418
Loss on disposal of property and equipment		7	1,364	5,737
Operating cash inflows before movements in working capital		51,199	44,150	(1,424)
(Increase) Decrease in loans receivable		(36,512)	1,644	5,816
Decrease (Increase) in accounts receivable		126,366	(316,433)	74,239
Decrease in prepayments, deposits and other receivables		1,288	332	7,366
Increase in amounts due from fellow subsidiaries		(262)	(1,786)	–
Decrease (Increase) in investments		36	(35,540)	(10,912)
Increase in bank balances – trust and segregated accounts		(51,100)	(97,036)	77,614
Increase in accounts payable		53,044	228,072	(80,477)
Increase (Decrease) in accrued liabilities and other payables		5,790	(5,187)	(28,425)
Decrease in amounts due to fellow subsidiaries		–	(2,400)	2,400
Net cash from (used in) operating activities		149,849	(184,184)	46,197
Hong Kong Profits Tax paid		–	–	(3)
Net cash (used in) from operating activities		149,849	(184,184)	46,194

	Notes	2004 HK$'000	2003 HK$'000	2002 HK$'000
Investing activities				
Additional payment for acquisition of a subsidiary	*15*	(1,400)	–	–
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)		–	(2,706)	–
Increase in bank deposits under conditions		(217)	(15,954)	655
Statutory and other deposits (paid) refunded		(1,601)	164	4,100
Proceeds on disposal of property and equipment		–	249	6,892
Purchases of property and equipment		(7,137)	(298)	(9,717)
Deposits for long term investments/projects received		–	–	25,000
Net cash used in investing activities		(10,355)	(18,545)	26,930
Financing activities				
(Decrease) Increase in bank overdrafts		(7,219)	2,210	15,368
(Decrease) Increase in bank loans		(109,000)	111,100	(51,100)
Proceeds on issue of shares		101,865	62,880	–
Proceeds on issue of convertible note		40,500	–	–
Share issue expenses		(2,181)	(2,546)	(4,284)
Interest paid on bank borrowings		(6,343)	(3,213)	–
Interest paid on obligations under finance leases		(12)	(12)	(131)
Interest paid on convertible notes		(2,032)	(2,831)	(6,782)

	Notes	**2004** *HK$'000*	**2003** *HK$'000*	**2002** *HK$'000*
Repayment of obligations under finance leases		(187)	(265)	(2,222)
Repayment of convertible note		(125,100)	–	(60,900)
Net cash (used in) from financing activities		(109,709)	167,323	(110,051)
Net increase (decrease) in cash and cash equivalents		29,785	(35,406)	(36,927)
Cash and cash equivalents at beginning of year		41,715	77,121	114,048
Cash and cash equivalents at end of year		71,500	41,715	77,121
Bank balances (general accounts) and cash		71,500	41,715	77,121

(F) Notes to the Financial Statements

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 14.

2. Potential impact arising from the recently issued accounting standards

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as the "New HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these New HKFRSs. Based on management's preliminary assessment, the adoption of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" in the annual period beginning on 1 January 2005 will result in cessation of amortisation of goodwill to the income statement. Pursuant to HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets", goodwill is to be recognised as an asset and reviewed for impairment at least annually and any impairment is recognised immediately in the income statement while the Group's current policy is to amortise goodwill on a straight-line basis over its useful economic life. During the year ended 31 December 2004, the amortisation of goodwill charged to the income statement amounted to approximately HK$2,370,000.

Management is still considering the potential impact of other New HKFRSs but is not yet in a position to determine whether other New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Other New HKFRSs may result in changes on how the results and financial position are prepared and presented in future.

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property and equipment

Property and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	3 to 5 years
Motor vehicles	3 years

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to income statement on a straight-line basis over the relevant lease terms.

Investments

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Intangible assets

Intangible assets are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Club memberships

Club memberships are stated at cost less any identified impairment loss.

Revenue recognition

Fees and commission income are recognised on a trade date basis when the services are rendered.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Realised profits and losses arising from trading of financial products, including equities, futures and option contracts as well as leveraged foreign exchange contracts which are not for hedging purpose, are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the financial products. Open contracts/positions are valued at market rate with unrealised profits and losses included in the income statement.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Retirement benefits costs

Payments to the Group's retirement benefits scheme are charged as an expense as they fall due.

4. Turnover

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
		(restated)
Fees and commission income	210,729	173,940
Interest income	29,243	17,162
	239,972	191,102

In previous years, loss on trading of securities, options and futures were classified as one of the items in turnover. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the comparative figure of the loss on trading of securities, options, futures and leveraged foreign exchange contracts was reclassified to conform with the current year's presentation.

5. Business and geographical segments

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Broking	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading services
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

All of the activities of the Group are based in Hong Kong and all of the Group's turnover for both years are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

Income statement for the year ended 31 December 2004

	Broking	**Financing**	**Corporate finance**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	204,092	29,243	6,637	239,972
RESULT				
Segment profit (loss)	44,736	8,527	(7,863)	45,400
Other operating income				7,710
Unallocated corporate expenses				(31,058)
Profit before taxation				22,052
Taxation				(350)
Profit after taxation and before minority interests				21,702

Balance sheet as at 31 December 2004

	Broking	**Financing**	**Corporate finance**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	681,832	293,478	11,400	986,710
Unallocated corporate assets				41,465
Consolidated total assets				1,028,175
LIABILITIES				
Segment liabilities	552,738	160,323	3,353	716,414
Unallocated corporate liabilities				72,113
Consolidated total liabilities				788,527

Other information for the year ended 31 December 2004

	Broking	**Financing**	**Corporate finance**	**Unallocationed**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property and equipment	–	–	–	7,137	7,137
Write back of bad and doubtful debts	–	(1,139)	–	–	(1,139)
Amortisation of intangible assets	1,830	–	–	–	1,830
Amortisation of goodwill	1,040	–	1,330	–	2,370
Depreciation of property and equipment	1,132	–	32	14,742	15,906
Loss on disposal of property and equipment	–	–	–	7	7

Income statement for the year ended 31 December 2003

	Broking	**Financing**	**Corporate finance**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)			(restated)
Turnover	162,644	12,946	15,512	191,102
RESULT				
Segment profit (loss)	21,998	(3,475)	(1,350)	17,173
Other operating income				10,313
Unallocated corporate expenses				(16,428)
Profit before taxation				11,058
Taxation				(134)
Profit after taxation and before minority interests				10,924

Balance sheet as at 31 December 2003

	Broking	**Financing**	**Corporate finance**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	618,188	361,779	17,922	997,889
Unallocated corporate assets				50,722
Consolidated total assets				1,048,611
LIABILITIES				
Segment liabilities	574,224	339,188	4,810	918,222
Unallocated corporate liabilities				12,127
Consolidated total liabilities				930,349

Other information for the year ended 31 December 2003

	Broking	**Financing**	**Corporate finance**	**Unallocationed**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Additions of property and equipment	484	–	–	298	782
Allowance for bad and doubtful debts	–	1,073	–	–	1,073
Amortisation of intangible assets	1,830	–	–	–	1,830
Amortisation of goodwill	239	–	–	–	239
Depreciation of property and equipment	4,731	731	32	12,721	18,215
Loss on disposal of property and equipment	1,364	–	–	–	1,364

6. Salaries, allowances and commission

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Salaries, allowances and commission represent the amounts paid and payable to the Directors and employees and comprises of:		
Salaries, allowances and commission	117,879	92,932
Contributions to retirement benefits scheme	1,680	625
	119,559	93,557

7. Finance costs

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts and loans wholly repayable within five years	6,343	3,213
Convertible notes	2,032	2,831
Finance leases	12	12
	8,387	6,056

8. Directors' remuneration

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Fees:		
Executive Directors	–	–
Independent Non-executive Directors	300	300
Other remuneration paid to Executive Directors:		
Salaries, allowances and benefits in kind	2,994	3,049
Contributions to retirement benefits scheme	139	125
Total remuneration	3,433	3,474

During the year, the Executive Directors received remuneration of approximately HK$326,000 (2003: HK$726,000), HK$630,000 (2003: HK$590,000), HK$1,068,000 (2003: HK$976,000), HK$359,000 (2003: nil) and nil (2003: nil) respectively, and two Executive Directors resigned during the year received remuneration of approximately HK$750,000 (2003: HK$882,000) and nil (2003: nil) respectively.

During the year, the Independent Non-executive Directors received a fee of HK$100,000 (2003: HK$100,000), HK$100,000 (2003: HK$100,000) and nil (2003: nil) respectively, and the Independent Non-executive Director resigned during the year received a fee of HK$100,000 (2003: HK$100,000).

During the year, no remuneration was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

9. Employees' remuneration

Of the five individuals with the highest emoluments in the Group, one (2003: nil) was Director of the Company whose emolument is included in the disclosures in note 8 above. The emoluments of the remaining four (2003: five) individuals were as follows:

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	5,177	6,572
Contributions to retirement benefits scheme	162	268
Performance related incentive payments	182	–
	5,521	6,840

Their remuneration were within the following band:

	2004	**2003**
	Number of employees	*Number of employees*
Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	3
HK$1,500,001 to HK$2,000,000	1	2

10. Profit before taxation

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of goodwill (included in depreciation and amortisation)	2,370	239
Amortisation of intangible assets (included in depreciation and amortisation)	1,830	1,830
Auditors' remuneration	1,200	1,200
Depreciation of property and equipment		
Owned assets	15,716	18,025
Leased assets	190	190
	15,906	18,215
Operating lease rentals in respect of land and buildings	10,765	11,527
Net foreign exchange gain	(3,574)	(7,385)
Dividends from investments	(693)	–

11. Taxation

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Profit before taxation	22,052	11,058
Taxation at income tax rate of 17.5%	3,859	1,935
Tax effect of estimated tax losses not recognised	2,982	1,419
Tax effect of expenses not deductible for tax purpose	4,217	2,644
Tax effect of income not taxable for tax purpose	(571)	(482)
Utilisation of estimated tax losses previously not recognised	(10,109)	(6,101)
Other difference	(28)	719
Taxation for the year	350	134

The following is the major deferred tax liabilities and assets recognised and the movements thereon during the current and the prior reporting years:

	Accelerated tax depreciation	**Estimated tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2003	(4,709)	4,709	–
Credit (Charge) to income statement	2,402	(2,402)	–
Effect of change in tax rate	(441)	441	–
At 31 December 2003 and 1 January 2004	(2,748)	2,748	–
Credit (Charge) to income statement	803	(803)	–
At 31 December 2004	(1,945)	1,945	–

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in Statement of Standard Accounting Practice 12 (Revised).

At the balance sheet date, the Group had unused estimated tax losses of HK$349,081,000 (2003: HK$389,807,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$11,114,000 (2003: HK$15,703,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK$337,967,000 (2003: HK$374,104,000) due to the unpredictability of future profit streams.

12. Earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2004 together with the comparative figures for 2003 are as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Profit for the purpose of basic and diluted earnings per share	21,278	10,687
Weighted average number of ordinary shares for the purpose of basic earnings per share	642,409,860	270,437,481
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible notes	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	642,409,860	270,437,481

The weighted average number of ordinary shares for the year ended 31 December 2003 for the purposes of basic and diluted earnings per share has been adjusted for the rights issue which took effect on 17 May 2004.

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

13. Property and equipment

	Leasehold improvements	**Furniture and fixtures**	**Computer and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
COST					
At 1 January 2004	29,380	20,988	24,092	1,723	76,183
Additions	4,911	619	1,607	–	7,137
Disposals	–	–	(15)	–	(15)
At 31 December 2004	34,291	21,607	25,684	1,723	83,305
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2004	14,254	12,776	18,813	839	46,682
Provided for the year	7,052	4,937	3,237	680	15,906
Eliminated on disposals	–	–	(8)	–	(8)
At 31 December 2004	21,306	17,713	22,042	1,519	62,580
NET BOOK VALUES					
At 31 December 2004	12,985	3,894	3,642	204	20,725
At 31 December 2003	15,126	8,212	5,279	884	29,501

The net book values of furniture and fixtures of HK$3,894,000 and motor vehicles of HK$204,000 included amounts of HK$83,000 (2003: HK$142,000) and nil (2003: HK$131,000) respectively in respect of assets held under finance leases.

	Furniture and fixtures *HK$'000*	Computer and equipment *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1 January 2004 and 31 December 2004	140	4,585	4,725
ACCUMULATED DEPRECIATION			
At 1 January 2004	94	4,544	4,638
Provided for the year	28	25	53
At 31 December 2004	122	4,569	4,691
NET BOOK VALUES			
At 31 December 2004	18	16	34
At 31 December 2003	46	41	87

14. Investments in subsidiaries

	2004 *HK$'000*	**2003** *HK$'000*
Unlisted shares, at cost	744,324	744,324
Impairment loss recognised	(283,000)	(283,000)
	461,324	461,324

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	100	Provision of management services
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	100	Provision of payment gateway services
Celestial Capital Limited	Hong Kong	Ordinary HK$22,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	Ordinary HK$2	100	Money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$120,000,000	100	Securities, equity options broking and trading and provision of share margin financing
icoupon Limited	British Virgin Islands	Ordinary US$1	100	Investment holding
CASH Frederick Taylor Limited ("CFT")	Hong Kong	Ordinary HK$1,000,000	70	Financial advisory consultancy

The principal place of operation of the subsidiaries shown above, which were incorporated in Hong Kong, is Hong Kong. CASH E-Trade Limited and icoupon Limited are directly held by the Company. All other subsidiaries shown above are indirectly held by the Company.

15. Goodwill

	THE GROUP
	HK$'000
COST	
At 1 January 2004	108,045
Arising on additional payment for acquisition of a subsidiary *(Note)*	1,400
At 31 December 2004	109,445
AMORTISATION AND IMPAIRMENT	
At 1 January 2004	102,142
Charged for the year	2,370
At 31 December 2004	104,512
NET BOOK VALUES	
At 31 December 2004	4,933
At 31 December 2003	5,903

The amortisation period adopted for goodwill is 3 years.

Note: Pursuant to the sales and purchase agreement relating to the sale and purchase of 700,000 shares in the issued capital of CFT (formerly known as Frederick Taylor International Financial Services Limited) entered into between the Group and the vendors dated 1 July 2003, the Group undertook to pay the vendors an additional amount of HK$1,400,000 if certain conditions could be fulfilled in 2004. As these conditions were fulfilled, the Group paid a total amount of HK$1,400,000 to the vendors. Accordingly, the consideration for the acquisition of CFT was adjusted.

16. Intangible assets

	THE GROUP
	HK$'000
COST	
At 1 January 2004 and 31 December 2004	15,039
AMORTISATION	
At 1 January 2004	4,117
Charged for the year	1,830
At 31 December 2004	5,947
NET BOOK VALUES	
At 31 December 2004	9,092
At 31 December 2003	10,922

Intangible assets represent trading rights in the exchanges in Hong Kong and are amortised over 10 years.

17. Other assets

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Club memberships	1,970	1,970
Statutory and other deposits	6,617	5,016
Prepayment for advertising and telecommunication services	5,600	7,386
Less: Prepayment for advertising and telecommunication services classified as a current asset and included in prepayments, deposits and other receivables	(2,800)	(2,185)
	11,387	12,187

18. Loans receivable

The maturity of the loans receivable is as follows:

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Matured within 180 days	16,084	700
Matured between 181 days to 365 days	3,567	–
Matured within one year	19,651	700
Matured over one year	18,700	–
	38,351	700

Loans receivable with an aggregate carrying value of approximately HK$22,968,000 are secured by pledged marketable securities.

19. Accounts receivable

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	16,168	93,675
Cash clients	86,935	49,975
Margin clients	183,287	285,895
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	72,989	56,045
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	3,302	2,909
Accounts receivable arising from the business of provision of corporate finance services	510	1,058
	363,191	489,557

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options are two days after trade date, and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Except for the loans to margin clients as mentioned below, all the accounts receivable arising from the business of dealing in securities and equity options aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in accounts receivable from margin clients arising from the business of dealing in securities is an amount due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	**Balance at 31.12.2004**	**Balance at 1.1.2004**	**Maximum amount outstanding during the year**
	HK$'000	*HK$'000*	*HK$'000*
Cash Guardian Limited ("Cash Guardian")	10,178	9,732	10,590

The above balances are secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients.

In respect of the commission receivable from brokerage of mutual funds and insurance-linked investment plans and products as well as accounts receivable arising from the business of provision of corporate finance services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	2004	**2003**
	HK$'000	*HK$'000*
0-30 days	3,182	2,350
31-60 days	189	9
61-90 days	163	189
Over 90 days	278	1,419
	3,812	3,967

20. Investments

	THE GROUP					
	Investment securities		**Other investments**		**Total**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Equity securities:						
Non-current						
Unlisted in Hong Kong, at cost	–	15,600	–	–	–	15,600
Impairment loss recognised	–	(15,600)	–	–	–	(15,600)
	–	–	–	–	–	–
Current						
Listed in Hong Kong, at market value	–	–	47,032	47,068	47,032	47,068
	–	–	47,032	47,068	47,032	47,068

21. Bank deposits under conditions

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Other bank deposits *(Note a)*	16,018	15,808
Pledged bank deposits *(Note b)*	764	757
	16,782	16,565

Notes:

(a) Pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2003: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

(b) The Group's bank deposits of HK$764,000 (2003: HK$757,000) was pledged to secure the general banking facilities granted by a bank.

22. Accounts payable

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	353,113	373,929
Margin clients	64,168	69,289
Clearing houses, brokers and dealers	39,875	–
Accounts payable to clients arising from the business of dealing in futures and options	156,151	120,644
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	3,599	–
	616,906	563,862

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of these businesses.

23. Obligations under finance leases

	THE GROUP			
	Minimum lease payments		**Present value of minimum lease payments**	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable under finance leases				
Within one year	64	197	63	194
In the second to fifth year inclusive	–	57	–	56
	64	254	63	250
Less: Future finance charges	1	4	–	–
Present value of lease obligations	63	250	63	250
Less: Amount due for payment within one year			63	194
Amount due for payment after one year			–	56

The Group leased certain of its furniture and fixtures, and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

24. Bank borrowings

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Bank overdrafts, unsecured	–	68
Bank overdrafts, secured	18,155	25,306
	18,155	25,374
Bank loans, secured	78,000	187,000
	96,155	212,374

The bank borrowings bear interest at commercial rates and are repayable on demand or within one year. These borrowings are used to finance the financing business of the Group.

At 31 December 2004, the Group's bank borrowings were secured by:

(a) corporate guarantees from the Company; and

(b) marketable securities of the Group's clients (with client's consent).

In addition, pursuant to a letter of undertaking given by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15,000,000 (2003: HK$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank.

25. Share capital

	Notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2003, 31 December 2003 and 1 January 2004		500,000	50,000
Increase during the year	*(a)*	1,500,000	150,000
At 31 December 2004		2,000,000	200,000
Issued and fully paid:			
At 1 January 2003		100,760	10,076
Issue of shares due to conversion of convertible note		25,000	2,500
Issue of shares due to rights issue		251,518	25,152
At 31 December 2003 and 1 January 2004		377,278	37,728
Issue of shares due to rights issue	*(b)*	377,278	37,728
At 31 December 2004		754,556	75,456

Notes:

(a) Pursuant to an ordinary resolution passed on 23 April 2004, the authorised share capital of the Company was increased from HK$50,000,000 to HK$100,000,000 by the creation of an additional 500,000,000 shares of HK$0.10 each.

Pursuant to an ordinary resolution passed on 20 September 2004, the authorised share capital of the Company was increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 shares of HK$0.10 each.

(b) Rights issue

On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.27 per share. The proceed before expenses, totaled approximately HK$101,865,000, was used for expanding share margin financing portfolio and facilitated corresponding growth in its securities brokerage business in line with market development and for general working capital.

26. Reserves

	Note	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP					
At 1 January 2003		–	289,764	(327,985)	(38,221)
Conversion of convertible note		72,500	–	–	72,500
Reduction of share premium transferred to contributed surplus		(72,500)	72,500	–	–
Amount transferred to write off accumulated losses		–	(211,069)	211,069	–
Issue of rights shares		37,728	–	–	37,728
Share issue expenses		–	(2,546)	–	(2,546)
Reduction of share premium transferred to contributed surplus		(37,728)	37,728	–	–
Net profit for the year		–	–	10,687	10,687
At 31 December 2003 and 1 January 2004		–	186,377	(106,229)	80,148
Issue of rights shares	*(a)*	64,137	–	–	64,137
Share issue expenses	*(a)*	(2,181)	–	–	(2,181)
Net profit for the year		–	–	21,278	21,278
At 31 December 2004		61,956	186,377	(84,951)	163,382
THE COMPANY					
At 1 January 2003		–	172,056	(211,069)	(39,013)
Conversion of convertible note		72,500	–	–	72,500
Reduction of share premium transferred to contributed surplus		(72,500)	72,500	–	–
Amount transferred to write off accumulated losses		–	(211,069)	211,069	–
Issue of rights shares		37,728	–	–	37,728

	Note	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Share issue expenses		–	(2,546)	–	(2,546)
Reduction of share premium transferred to contributed surplus		(37,728)	37,728	–	–
Net loss for the year		–	–	(5,016)	(5,016)
At 31 December 2003 and 1 January 2004		–	68,669	(5,016)	63,653
Issue of rights shares	*(a)*	64,137	–	–	64,137
Share issue expenses	*(a)*	(2,181)	–	–	(2,181)
Net loss for the year		–	–	(266)	(266)
At 31 December 2004		61,956	68,669	(5,282)	125,343

Notes:

(a) On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.27 per share.

(b) The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited ("COL"), the then holding company of the Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

(c) The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of COL at the date on which the group reorganisation become effective and the nominal amount of the share capital of the Company issued pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries, and the net amount arising from the capital reduction, reduction of share premium account and amounts transferred to write off accumulated losses.

Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

27. Convertible notes

		THE GROUP AND THE COMPANY	
		2004	**2003**
	Notes	*HK$'000*	*HK$'000*
Convertible note issued on 28 September 2001	*(a)*	–	125,100
Convertible note issued on 1 September 2004	*(b)*	40,500	–
		40,500	125,100

(a) The convertible note was payable to a fellow subsidiary of the Company. It bore interest at a rate of 2% per annum and was repayable on or before 31 December 2006. During the year, the outstanding principal amount of the convertible note was fully repaid.

(b) The convertible note is payable to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party. It bears interest at a rate of 3% per annum and is matured on 31 December 2006 or any other date mutually agreed between the Company and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to the interest payment date, and is not entitled to vote at general meetings of the Company. The Company has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date. The note is transferable to persons who are not a connected person of the Company with the consent of the Company provided that such consent is not required for transfer to the wholly-owned subsidiaries of ARTAR. At 31 December 2004, the outstanding amount of the convertible note was HK$40,500,000 convertible into a total number of 150,000,000 shares at the initial conversion price of HK$0.27 (subject to adjustment).

28. Major non-cash transaction

Pursuant to the agreement entered into between CASH and a third party, the third party agreed to procure its group companies to provide advertising and telecommunication services to CASH and its subsidiaries, including the Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the Group paid. During the year, the Group utilised advertising and telecommunication services amounting to approximately HK$1,786,000 (2003: HK$4,315,000).

29. Share option schemes

(A) Share option schemes of the Company

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 20 November 2000 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to CASH and its subsidiaries, including the Group and Pricerite Group Limited ("Pricerite") and its subsidiaries ("Pricerite Group") (together "CASH Group"); or

- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 75,455,644 shares, representing 10% of the issued share capital of the Company, as at the date of the Annual Report. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of Directors of the Company and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of Directors of the Company upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;
- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and
- the nominal value of the share

(ix) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the Company's share options held by the Directors and the employees of the Group and movements in such holdings:

					Number of options								
Name of scheme	**Date of grant**	**Exercise price per share**	**Exercise period**		**outstanding as at 1/1/2003**	**lapsed in 2003**	**adjusted on 4/11/2003**	**granted in 2003**	**outstanding as at 31/12/2003 and 1/1/2004**	**adjusted on 24/4/2004**	**reallocated upon change of directorate**	**lapsed in 2004**	**outstanding as at 31/12/2004**
		HK$		*Notes*		*(Note 4)*	*(Note 1)*			*(Note 2)*		*(Note 4)*	
Directors													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	*(1),(2)&(3)*	4,000,000	–	4,160,000	–	8,160,000	2,448,000	(5,304,000)	(5,304,000)	–
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	*(2)*	–	–	–	7,500,000	7,500,000	2,250,000	(1,625,000)	(8,125,000)	–
	2/12/2003	0.34	2/12/2003-30/11/2005	*(2)*	–	–	–	14,700,000	14,700,000	4,410,000	(6,370,000)	–	12,740,000
	2/12/2003	0.34	1/6/2004-31/5/2006	*(2)&(3)*	–	–	–	–	–	–	650,000	–	650,000
					4,000,000	–	4,160,000	22,200,000	30,360,000	9,108,000	(12,649,000)	(13,429,000)	13,390,000
Employees													
Old Option Scheme	26/3/2001	0.83	1/10/2001-30/9/2004	*(1),(2)&(3)*	1,000,000	–	1,040,000	–	2,040,000	612,000	5,304,000	(7,956,000)	–
	27/3/2001	0.83	1/10/2001-30/9/2004	*(1),(2)&(3)*	645,000	(275,000)	384,800	–	754,800	220,320	–	(975,120)	–
New Option Scheme	3/11/2003	0.46	3/11/2003-31/10/2004	*(2)*	–	–	–	5,000,000	5,000,000	1,500,000	1,625,000	(8,125,000)	–
	2/12/2003	0.34	2/12/2003-30/11/2005	*(2)*	–	–	–	4,900,000	4,900,000	1,470,000	6,370,000	(3,185,000)	9,555,000
	2/12/2003	0.34	1/6/2004-31/5/2006	*(2)&(3)*	–	–	–	17,750,000	17,750,000	5,115,000	(650,000)	(1,675,000)	20,540,000
					1,645,000	(275,000)	1,424,800	27,650,000	30,444,800	8,917,320	12,649,000	(21,916,120)	30,095,000
					5,645,000	(275,000)	5,584,800	49,850,000	60,804,800	18,025,320	–	(35,345,120)	43,485,000

Notes:

(1) The number and the exercise price of options which remained outstanding on 27 October 2003 have been adjusted due to rights issue of shares in the Company with effect from 4 November 2003. The exercise price per share was adjusted from HK$2.20 to HK$1.08.

(2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 24 April 2004. The exercise prices per share were adjusted from HK$1.08 to HK$0.83, from HK$0.60 to HK$0.46 and from HK$0.44 to HK$0.34.

(3) 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.

(4) The lapsed options were due to expiry or cessation of employment of participants with the Group.

(5) No option was granted, exercised or cancelled during the year.

The exercise in full of the outstanding 43,485,000 share options at 31 December 2004 would, under the present capital structure of the Company, result in the issue of 43,485,000 additional shares for a total cash consideration, before expenses, of approximately HK$14,785,000.

(B) Share option schemes of CASH

Pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002, CASH adopted the share option scheme ("CASH New Option Scheme") to replace the share option scheme adopted on 29 March 1994 ("CASH Old Option Scheme"). All the options granted under the CASH Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the CASH Old Option Scheme. The major terms of the CASH New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the CASH Group; or
- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants included any employee, director, consultant, adviser or agent of any member of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the CASH New Option Scheme must not exceeded 10% of the issued share capital of CASH as at the date of approval of the CASH New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the CASH New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options canceled) under any option granted to the same participant under the CASH New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of CASH and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of CASH upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to CASH.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;

- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

- the nominal value of the share.

(ix) The life of the CASH New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the share options granted by CASH and held by the Directors and movements in such holdings:

					Number of options					
Name of scheme	Date of grant	Exercise price per share *HK$*	Exercise period	*Note*	outstanding as at 1/1/2003	granted in 2003	lapsed in 2003	outstanding as at 31/12/2003 and 1/1/2004	reallocated upon change of directorate	outstanding as at 31/12/2004
CASH Old Option	10/1/2000	16.000	10/1/2001-9/1/2003		500,000	–	(500,000)	–	–	–
Scheme	6/11/2000	5.400	16/5/2001-15/5/2003	*(1)*	1,250,000	–	(1,250,000)	–	–	–
CASH New Option	2/5/2002	1.320	2/5/2002-30/4/2003		12,000,000	–	(12,000,000)	–	–	–
Scheme	2/5/2002	1.320	1/11/2002-31/10/2003	*(1)*	500,000	–	(500,000)	–		–
	2/12/2003	0.502	2/12/2003-30/11/2005		–	12,000,000	–	12,000,000	(2,000,000)	10,000,000
					14,250,000	12,000,000	(14,250,000)	12,000,000	(2,000,000)	10,000,000

Note:

(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 6 months from the commencement of the exercise period.

(C) Share option schemes of Pricerite

Pursuant to an ordinary resolution passed at the special general meeting of Pricerite held on 19 February 2002, Pricerite adopted the share option scheme ("Pricerite New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("Pricerite Old Option Scheme"). All the options granted under the Pricerite Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Pricerite Old Option Scheme. The major terms of the Pricerite New Option Scheme are summarised as follows:

(i) The purpose was to provide incentives to:

- award and retain the participants who have made contributions to the CASH Group; or

- attract potential candidates to serve the CASH Group for the benefit of the development of the CASH Group.

(ii) The participants of the Pricerite New Option Scheme included any employee, director, consultant, adviser or agent of any member of the CASH Group.

(iii) The maximum number of shares in respect of which options might be granted under the Pricerite New Option Scheme must not exceed 10% of the issued share capital of Pricerite as at the date of approval of the Pricerite New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the Pricerite New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(iv) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the Pricerite New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(v) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors of Pricerite and provided in the offer of grant of option.

(vi) The exercise period should be any period fixed by the board of directors of Pricerite upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(vii) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Pricerite.

(viii) The exercise price of an option must be the highest of:

- the closing price of the shares on the date of grant which day must be a trading day;

- the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

- the nominal value of the share.

(ix) The life of the Pricerite New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

The following table discloses details of the share options granted by Pricerite and held by the Directors and movements in such holdings:

Name of scheme	Date of grant	Exercise price per share *HK$*	Exercise period	*Notes*	Number of options: outstanding as at 1/1/2003	adjusted on 6/5/2003	lapsed in 2003	granted in 2003	outstanding as at 31/12/2003 and 1/1/2004	adjusted on 2/3/2004	reallocated upon change of directorate	adjusted on 11/9/2004	lapsed in 2004	outstanding as at 31/12/2004
Pricerite Old Option Scheme	12/6/2001	4.200	16/6/2001-15/6/2003	*(1)*	7,200,000	(6,840,000)	(360,000)	–	–	–	–	–	–	–
	17/1/2002	4.200	1/2/2002-31/1/2004	*(1)*	53,000,000	(50,350,000)	(1,000,000)	–	1,650,000	–	–	–	(1,650,000)	–
														–
Pricerite New Option Scheme	2/12/2003	0.316	2/12/2003-30/11/2004	*(2)&(3)*	–	–	–	2,000,000	2,000,000	8,000,000	–	1,333,334	(11,333,334)	–
	2/12/2003	0.316	1/12/2004-30/11/2005	*(2)&(3)*	–	–	–	500,000	500,000	2,000,000	(2,500,000)	–	–	–
					60,200,000	(57,190,000)	(1,360,000)	2,500,000	4,150,000	10,000,000	(2,500,000)	1,333,334	(12,983,334)	–

Notes:

(1) The number and the exercise price of options which remained outstanding on 6 May 2003 have been adjusted due to share consolidation of Pricerite for 20 shares into 1 share with effect from 6 May 2003. The exercise price per share was adjusted from HK$0.21 to HK$4.20.

(2) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004. The exercise price per share was adjusted from HK$1.79 to HK$0.358.

(3) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in Pricerite with effect from 11 September 2004. The exercise price was adjusted from HK$0.358 to HK$0.316.

30. Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. All the employees of the Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the Group prior to completion of qualifying service period for the employer's voluntary contributions (represents contributions in excess of the mandatory requirements under the Mandatory Provident Fund Schemes Ordinance plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group. Contributions are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's contributions to the retirement benefits scheme charged to the income statement and the forfeited voluntary contributions credited to the income statements amounted to approximately HK$1,903,000 (2003: HK$1,453,000) and HK$223,000 (2003: HK$828,000) respectively for the year ended 31 December 2004.

31. Related party transactions

Apart from the convertible notes as disclosed in note 27(a) to the financial statements, the Group had the following significant transactions with fellow subsidiaries:

(a) During the year, the Group transferred prepayment for advertising and telecommunication services of HK$130,000 (2003: HK$400,000) to a wholly-owned subsidiary of Pricerite for a cash consideration of HK$130,000 (2003: HK$400,000).

(b) The Group paid interest on convertible note of approximately HK$1,278,000 (2003: HK$2,831,000) to a wholly-owned subsidiary of CASH. The interest was calculated at a rate of 2% per annum.

(c) During the year, the Group received interest from margin financing of approximately HK$736,000 (2003: HK$870,000) from Cash Guardian, in which Kwan Pak Hoo Bankee has a beneficial interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(d) During the year, the Group received interest from margin financing of approximately HK$400,000 (2003: HK$469,000) from certain wholly-owned subsidiaries of CASH. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(e) During the year, CASH acted as an underwriter in the rights issue of the Company without receiving any fee or underwriting commission.

(f) During the year, the Group bought cash coupons of approximately HK$101,000 (2003: nil) from a wholly-owned subsidiary of Pricerite at their face values.

(g) At 31 December 2004, the Group had amounts of approximately HK$2,048,000 (2003: HK$1,786,000) due from CASH and its wholly-owned subsidiaries. The amounts were unsecured, non-interest bearing and had no fixed repayment terms.

(h) During the year ended 31 December 2003, the Group paid rental of HK$960,000 to the Pricerite Group. The charges were calculated at the effective rate charged by the head landlord with reference to the floor area occupied by the Group and at a price agreed between the Group and the Pricerite Group.

(i) During the year ended 31 December 2003, the Group received advertising income of approximately HK$990,000 from a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.

(j) During the year ended 31 December 2003, the Group sold stored-value phonecards of approximately HK$990,000 to a wholly-owned subsidiary of CASH. The amount was charged at a price agreed between the parties.

(k) During the year ended 31 December 2003, the Group sold a motor vehicle to the Pricerite Group at a consideration of HK$250,000. The amount was charged at a price agreed between the parties.

(l) During the year ended 31 December 2003, the Group received placing agent commission of approximately HK$330,000 from CASH. The fee was calculated at 2% on the total proceeds from the placement received by CASH.

32. Commitments

(a) Interest rate swap

At 31 December 2004, the Group had an outstanding Hong Kong dollar interest rate swap agreement with a bank under which the Group agreed to pay the bank a fixed interest on the contract sum of HK$21,000,000 (2003: HK$27,000,000) as set out in the agreement. In return, the bank agreed to pay the Group an interest at HIBOR rate.

(b) Underwriting commitment

At 31 December 2004, the Group had a underwriting commitment of HK$27,200,000 in respect of the subscription of 40,000,000 shares of Emperor (China Concept) Investments Limited under the requirement of a corporate finance business. The deal was completed on 21 January 2005. The underwriting commitment of the Group was then fully discharged.

33. Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Within one year	6,458	7,756
In the second to fifth year inclusive	10,609	6,926
	17,067	14,682

Operating lease payments represent rental payable by the Group for its office premises. Leases are mainly negotiated for an average term of four years and rentals are fixed for an average of three years.

34. Contingent liabilities

(a) Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a wholly owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements.

(b) The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2004 amounted to approximately HK$96,155,000 (2003: HK$212,306,000).

The following is the text of a report, prepared for the sole purpose of inclusion in this circular received from the independent reporting accountants, Deloitte Touche Tohmatsu, Hong Kong.

Deloitte.
德勤

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香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

30 November 2005

The Directors
CASH Financial Services Group Limited

Dear Sirs,

We set out below our report on the financial information regarding Netfield Technology Limited ("Netfield") and its subsidiaries (hereinafter collectively referred to as the "Netfield Group") for the period from 31 October 2004 (date on which Mr Lin Che Chu, the sole shareholder of Netfield, acquired the entire issued share capital of Moli Group Limited ("Moli")) to 31 December 2004 and eight months ended 31 August 2005 ("Relevant Periods") for inclusion in a circular issued by CASH Financial Services Group Limited ("Company") dated 30 November 2005 ("Circular") in connection with the major transaction in respect of the proposed acquisition of the entire interest of the Netfield Group.

Netfield was incorporated in the British Virgin Islands ("BVI") on 6 July 2005 as a private owned company with limited liability. On 10 August 2005, Netfield acquired the entire issued share capital of Moli from Mr Lin Che Chu at a consideration of US$1 and became the holding company of the Netfield Group. The Netfield Group is principally engaged in the operation of online game business in the People's Republic of China ("PRC"). As at the date of this report, particulars of the Netfield's subsidiaries are as follows:

Name	Form of business structure	Date and country of incorporation/ registration	Issued/ registered and fully paid capital	Proportion of nominal value of issued/registered capital held by Netfield Directly	Indirectly	Principal activities
Moli *(note (i))* (previously known as Halo IP Limited)	Incorporated	2 June 1999 The BVI	US$1	100%	–	Investment holding

Name	Form of business structure	Date and country of incorporation/ registration	Issued/ registered and fully paid capital	Proportion of nominal value of issued/registered capital held by Netfield Directly	Indirectly	Principal activities
摩力游(上海)信息科技有限公司 (translated as Moliyo (Shanghai) Information Technology Limited ("Moliyo")) *(note (ii))*	Wholly foreign owned enterprise	31 January 2005 The PRC	US$2,000,000	–	100%	Online game developer
上海嘉思華數字娛樂有限公司 (translated as Cathyway Digital Entertainment (Shanghai) Limited ("Cathyway")) *(note (iii))*	Private company with limited liability	20 December 2004 The PRC	RMB1,000,000	–	100% *(note (iv))*	Online game operator

Notes:

(i) No audited financial statements have been prepared by Moli since its date of incorporation as there was no statutory audit requirement for this company. On 31 October 2004, Mr Lin Che Chu acquired the entire issued share capital of Halo IP Limited, which was inactive, at a consideration of US$1. On 12 January 2005, the name of this company was changed from Halo IP Limited to Moli.

(ii) No audited financial statements have been prepared since its date of registration as this company was newly established in 2005. The director of this company represented that its first statutory audited financial statements will be issued up to the financial year ending 31 December 2005. As set out in the business license issued by the relevant government authority in Shanghai, the operating period of this company is from 31 January 2005 to 31 January 2025.

(iii) No audited financial statements have been prepared since its date of registration to 31 December 2004 as in the opinion of the director of this company, the duration is so short, it is not worthwhile to prepare a set of financial statements for the period from the date of registration to 31 December 2004. The director of this company represented that its first set of statutory audited financial statements will be issued up to the financial year ending 31 December 2005. As set out in the business license issued by the relevant government authority in Shanghai, the operating period of this company is from 20 December 2004 to 19 December 2014.

(iv) Cathyway is owned by Mr Pan Long (潘龍) and Mr Li Zeng Rong (李正容) (together the "PRC Citizens"). Due to the contractual arrangements between Moliyo and Cathyway which comprise a series of agreements including the provision of a loan to the PRC Citizens to establish Cathyway, a share pledge agreement by the PRC Citizens to pledge their shares in Cathyway to Moliyo, an equipment leasing agreement, a technology license agreement, a technical services agreement, undertakings for share transfer and other related agreements, Moliyo has a beneficial interest and control in Cathyway. Also, based on legal advice from the legal advisers to CFSG as to the PRC laws, such contractual arrangements are legal and enforceable under the PRC laws. Accordingly, Cathyway which qualifies as a special purpose entity under Hong Kong Accounting Standard ("HKAS") and Interpretation 12 Consolidation – Special Purpose Entities is accounted for as a subsidiary of Netfield in accordance with HKAS 27 Consolidated and Separate Financial Statements.

As a basis for forming an opinion on the financial information of the Netfield Group for the purpose of this report, the financial statements of the Netfield Group for the Relevant Periods which are prepared in accordance with Hong Kong Financial Reporting Standards ("Underlying Financial Statements") were audited by us in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have examined the Underlying Financial Statements of the Netfield Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The financial information of the Netfield Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustment was considered necessary to adjust the Underlying Financial Statements.

The Underlying Financial Statements are the responsibility of the director of Netfield. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the financial information and to report our opinion to you.

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Netfield Group as at 31 December 2004 and 31 August 2005 and of Netfield as at 31 August 2005 and of the results and cash flows of the Netfield Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated income statements

	Notes	For the period from 31 October 2004 to 31 December 2004 RMB'000	Eight months ended 31 August 2005 RMB'000
Turnover	3	–	–
Bank interest income		–	11
Operating and administrative expenses		–	(17,657)
Loss before taxation	5	–	(17,646)
Taxation	8	–	–
Loss for the period		–	(17,646)

Balance sheets

		THE NETFIELD GROUP		NETFIELD
		At 31 December 2004	**At 31 August 2005**	**At 31 August 2005**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*9*	1,000	2,668	–
Investments in subsidiaries	*10*	–	–	–
		1,000	2,668	–
Current assets				
Other receivables, deposits and prepayments	*11*	–	740	–
Amount due from a subsidiary	*12*	–	–	1
Bank balances and cash	*11*	504	7,826	–
		504	8,566	1
Current liabilities				
Other payables and accruals	*13*	1,000	3,185	–
Amount due to a shareholder	*14*	504	25,694	–
		1,504	28,879	–
Net current (liabilities) assets		(1,000)	(20,313)	1
		–	(17,645)	1
Capital and reserve				
Share capital	*15*	–	1	1
Accumulated loss		–	(17,646)	–
		–	(17,645)	1

Consolidated statement of changes in equity

	Share capital	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 15)		
At date on which Mr Lin Che Chu acquired the entire issued share capital of Moli and at 31 December 2004	1	–	1
Arising from transfer of the entire issued share capital of Moli from Mr Lin Che Chu to Netfield	(1)	–	(1)
Issue of shares by Netfield	1	–	1
Net loss for the period from 1 January 2005 to 31 August 2005	–	(17,646)	(17,646)
At 31 August 2005	1	(17,646)	(17,645)

Consolidated cash flow statements

	Note	For the period from 31 October 2004 to 31 December 2004 *RMB'000*	Eight months ended 31 August 2005 *RMB'000*
OPERATING ACTIVITIES			
Loss before taxation		–	(17,646)
Adjustments for:			
Depreciation		–	229
Interest income		–	(11)
Operating cashflows before movements in working capital		–	(17,428)
Increase in other receivables, deposits and prepayments		–	(740)
Increase in other payables and accruals		–	3,185
Cash used in operations		–	(14,983)
Interest received		–	11
NET CASH USED IN OPERATING ACTIVITIES		–	(14,972)
CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	*16*	–	(2,897)
FINANCING ACTIVITIES			
Increase in amount due to a shareholder		504	25,190
Capital paid		–	1
CASH FROM FINANCING ACTIVITIES		504	25,191
NET INCREASE IN CASH AND CASH EQUIVALENTS		504	7,322
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		–	504
CASH AND CASH EQUIVALENTS AT END OF PERIOD		504	7,826
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		504	7,826

(B) NOTES TO THE FINANCIAL INFORMATION

1. Basis of Preparation

(a) Moli was incorporated on 2 June 1999 under the name of Halo IP Limited. On 31 October 2004, Mr Lin Che Chu, the sole shareholder of Netfield, acquired the entire issued share capital of Moli. On 20 December 2004, the PRC Citizens established Cathyway. As set out in the business license issued by the relevant government authority in Shanghai, the operating period of Cathyway is from 20 December 2004 to 19 December 2014. On 31 January 2005, Moli established Moliyo. As set out in the business license issued by the relevant government authority in Shanghai, the operating period of Moliyo is from 31 January 2005 to 31 January 2025. Due to the contractual arrangements between Moliyo and Cathyway, Moliyo has a beneficial interest and control in Cathyway. Thus Cathyway is accounted for as a subsidiary. On 6 July 2005, Mr Lin Che Chu established Netfield and accordingly, no balance sheet of Netfield has been presented as at 31 December 2004. On 10 August 2005, Netfield acquired the entire issued capital of Moli from Mr Lin Che Chu and become the holding company of the Netfield Group.

The financial information of the Netfield Group only cover the period from 31 October 2004 to 31 December 2004 and eight months ended 31 August 2005 although Moli was incorporated on 2 June 1999 as pursuant to Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions", the control of the Netfield Group by Mr Lin Che Chu was effective from 31 October 2004 which represented the earliest date available for the purpose of the financial information of the Netfield Group.

The consolidated income statements and consolidated cash flow statements include the results and cash flows of the Netfield Group as if the current group structure had been in existence since 31 October 2004 or the respective date of the incorporation of Netfield or dates of registration of Moliyo and Cathyway, where this is a shorter period. The consolidated balance sheets of the Netfield Group as at 31 December 2004 and 31 August 2005 have been prepared to present the assets and liabilities of the Netfield Group as at 31 December 2004 and 31 August 2005 as if the current group structure had been in existence as at those dates.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(b) The financial information has been prepared, for the purpose of this report, on the basis that the Netfield Group will continue to operate as a going concern notwithstanding the fact that the Netfield Group has net liabilities of approximately RMB17,645,000 as at 31 August 2005 as the Company has agreed to provide adequate funds to enable the Netfield Group to meet in full its financial obligations as they fall due for the foreseeable future upon completion of the proposed acquisition of the entire interest of the Netfield Group by the Company.

2. Significant Accounting Policies

A number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKAS and Interpretations (hereinafter collectively referred to as "new HKFRSs") were issued by the HKICPA that are effective for the accounting periods beginning on or after 1 January 2005. The financial information during the Relevant Periods has been prepared in accordance with the new HKFRS.

The HKICPA has issued the following standards and interpretations ("INT") that are not yet effective. The Netfield Group has commenced considering the potential impact of the following standards and interpretations but is not yet in a position to determine whether these standards and interpretations would have a significant impact on how the results of operations and financial position of the Netfield Group are prepared and presented. These standards and interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HKFRS – INT 4	Determining whether an Arrangement contains a Lease
HKFRS – INT 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK – INT 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 1 (Amendment)	Capital Disclosure
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts

HK (IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipments

The financial information has been prepared on the historical cost convention and in accordance with the following principal accounting policies which conform with the accounting principles generally accepted in Hong Kong including applicable HKFRSs issued by the HKICPA.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payable under operating leases is credited or charged to the income statement respectively on a straight-line basis over the term of the relevant lease.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial information, the results and financial position of each entity which are expressed in Renminbi, which is the functional currency of Netfield, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Netfield Group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Netfield Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits costs

Payments to defined contribution retirement benefits plans are charged as expenses as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Netfield Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefits plan.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Netfield Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Netfield Group intends to settle its current tax assets and liabilities on a net basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of items of property, plant and equipment, over their estimated useful lives and after taking the account their estimated residual value, using the straight-line method at the following rates per annum:

Leasehold improvements	The shorter of the lease term and 5 years
Computer and equipment	5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Netfield Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Netfield Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Investments in subsidiaries

Investments in subsidiaries are included in Netfield's balance sheet at cost less any identified impairment loss.

Financial instrument

Financial assets and financial liabilities are recognised on the Netfield Group's balance sheet when the Netfield Group becomes a party to the contractual provisions of the instrument.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents which comprise bank balances and cash are short-term highly liquid investments that and are readily convertible to a known amount of cash with insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Netfield Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Netfield Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Other payables and accruals as well as amount due to a shareholder

Other payables and accruals as well as amount due to a shareholder are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by Netfield are recorded at the proceeds received, net of direct issue costs.

3. Turnover

The Netfield Group is principally involved in the operation of online game business and did not generate any income from the operation of online business during the Relevant Periods. During the Relevant Periods, the Netfield Group's first newly developed online game was still undergoing trial run and the Netfield Group did not charge the subscribers for playing the game during the trial run period.

4. Business and Geographical Segments

The Netfield Group is primarily engaged in the online game business in the PRC. All identifiable assets of the Netfield Group are located in the PRC. Accordingly, no business and geographical segment analysis is presented.

5. Loss Before Taxation

	For the period from 31 October 2004 to 31 December 2004 *RMB'000*	**Eight months ended 31 August 2005** *RMB'000*
Loss before taxation has been arrived at after charging:		
Depreciation	–	229
Operating lease rentals in respect of office premises	–	165
Advertising and promotion expenses	–	8,595
Staff costs:		
Director's remuneration	–	1,032
Other staff costs:		
– Salaries and other benefits	–	4,322
– Retirement benefits schemes contribution	–	132
	–	5,486

6. Director's Emoluments

The emoluments paid or payable to the sole director, Mr Lin Che Chu, was as follows:

	For the period from 31 October 2004 to 31 December 2004	**Eight months ended 31 August 2005**
	RMB'000	*RMB'000*
Fees	–	–
Other emoluments	–	1,032
Contributions to retirement benefits scheme	–	8
Total emoluments	–	1,040

The aggregate emoluments of the sole director were ranged between HK$1,000,001 and HK$1,500,000.

During the Relevant Periods, no emoluments or discretionary bonus were paid by the Netfield Group to the above-mentioned individual as an inducement to join or upon joining the Netfield Group or as compensation for loss of office and no director of the Netfield Group waived or agreed to waive any emoluments or discretionary bonus.

7. Employees' Emoluments

Of the five individuals with the highest emoluments in the Netfield Group, one was director, whose emoluments are set out in note 6 above. The emoluments of the remaining four highest paid individuals during the Relevant Periods were as follows:

	For the period from 31 October 2004 to 31 December 2004	Eight months ended 31 August 2005
	RMB'000	*RMB'000*
Salaries and other benefits	–	655
Contributions to retirement benefits schemes	–	8
	–	663

The aggregate emoluments of each of these remaining four highest paid individuals were less than HK$1,000,000.

8. Taxation

Moliyo is entitled to a tax rate of 15% because it was registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone). No provision for the PRC income tax has been made in the financial information as the Netfield Group did not have any assessable profits.

The taxation for the period can be reconciled to the loss before taxation per the income statements as follows:

	For the period from 31 October 2004 to 31 December 2004	**Eight months ended 31 August 2005**
	RMB'000	*RMB'000*
Loss before taxation	–	17,646
Taxation at the income tax rate of 15%	–	2,647
Tax effect of expenses not deductible for tax purpose	–	(166)
Tax effect of deferred tax assets not recognised	–	(2,481)
Taxation for the period	–	–

At 31 August 2005, the Netfield Group had unused tax losses of approximately RMB3,306,000 and deductible temporary differences of approximately RMB13,233,000 available for offset against future profits. No deferred tax asset has been recognised in respect of such losses and such deductible temporary differences due to unpredictability of future profit streams.

9. Property, Plant and Equipment

THE NETFIELD GROUP

	Leasehold improvement	Computer and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
Additions during the period and balance at 31 December 2004	162	838	1,000
Additions during the period	–	1,897	1,897
At 31 August 2005	162	2,735	2,897
ACCUMULATED DEPRECIATION			
Provided for the period and balance at 31 December 2004	–	–	–
Provided for the period	39	190	229
At 31 August 2005	39	190	229
NET BOOK VALUES			
At 31 December 2004	162	838	1,000
At 31 August 2005	123	2,545	2,668

10. Investments in Subsidiaries

NETFIELD

	At 31 August 2005
	RMB
Unlisted equity investments, at cost	8

11. Other Current Financial Assets

THE NETFIELD GROUP

Other receivables, deposits and prepayments mainly comprise other receivables from and deposits paid to third parties.

The directors consider that the carrying amount of the current financial assets listed above approximates their fair value.

Bank balances and cash comprise short-term bank deposits and cash with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. At the balance sheet dates, bank balances and cash were denominated in Renminbi which is not freely convertible into other currencies.

Credit risk

The Netfield Group's principal financial assets are bank balances and cash and other receivables.

The Netfield Group's credit risks are primarily attributable to other receivables.

No allowances for bad and doubtful receivables as other receivables, which represent staff advances for operational use, are recognised in the income statement when there are expenses incurred.

The Netfield Group has no significant concentration of credit risk, with exposure spread over various counterparties.

Interest rate risk

The Netfield Group has exposure to interest rate risk through the impact of the rate changes on the bank balances.

Foreign currency risk

The Netfield Group's foreign currency risk is insignificant as the Netfield Group's transactions are mainly denominated in Renminbi.

Liquidity risk

During the Relevant Periods, the Netfield Group was financed by its sole shareholder. As mentioned in Note 1(b), the Company has agreed to provide adequate funds to ensure the Netfield Group to meet in full its financial obligations as they fall due for the foreseeable future upon the completion of the proposed acquisition of the entire interest of the Netfield Group by the Company.

12. Amount Due from a Subsidiary

NETFIELD

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

13. Other Current Financial Liabilities

THE NETFIELD GROUP

Other payables and accruals principally comprise amounts outstanding for ongoing costs.

The director considers that the carrying amounts of the current financial liabilities listed above approximate their fair value.

14. Amount Due to a Shareholder

THE NETFIELD GROUP

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

Pursuant to the sales and purchase agreement dated 15 September 2005 entered into between the Company and Mr Lin Che Chu, the amount due to the shareholder on date of the completion of the sales and purchase agreement will be assigned to the Company.

15. Share Capital

	US$	*RMB Equivalent*
Authorised:		
50,000 ordinary shares of US$1 each	50,000	414,000
Issued and fully paid:		
1 ordinary share of US$1 each at date of incorporation	1	8
99 ordinary shares of US$1 each issued during the period	99	820
100 ordinary shares of US$1 each at 31 August 2005	100	828

The share capital as at 31 December 2004 represented the issued share capital of US$1 of Moli. The authorised share capital of Moli is 500,000 ordinary shares of US$1 each.

16. Major Non-Cash Transaction

On 29 December 2004, the Netfield Group purchased property and equipment amounting to RMB1,000,000 which was settled during the eight months ended 31 August 2005.

17. Retirement Benefits Schemes

The Netfield Group operates various benefits schemes for its full-time employees in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Netfield Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

18. Operating Lease Commitments

The Netfield Group as lessee

At the balance sheet date, the Netfield Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and which fall due as follows:

	THE NETFIELD GROUP	
	At 31 December 2004	**At 31 August 2005**
	RMB'000	*RMB'000*
Within one year	–	259
In the second to fifth year inclusive	–	281
	–	540

Operating lease payments represent rentals payable by the Netfield Group for its office premises. Leases are negotiated for a period of three years with fixed rental.

19. Loss Per Share

Loss per share is not presented herein as such information is not considered meaningful for the purpose of this report.

(C) DIRECTOR'S REMUNERATION

Save as disclosed in this report, no other remuneration has been paid or is payable to Netfield's director by the Netfield Group during the Relevant Periods.

Under the arrangements presently in force, the aggregate emoluments payable to the director of Netfield for the year ending 31 December 2005 is estimated to be approximately RMB1,560,000.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of any of the companies in the Netfield Group have been prepared in respect of any period subsequent to 31 August 2005.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group has been prepared to illustrate the effect of the issue of the 145 million top up Shares at the top up price of HK$0.40 each, the Company's proposed acquisition of the entire interest of Netfield Group for a total consideration of HK$110,000,000, the proposed issue of the 155 million Placing Shares at the Placing Price of HK$0.40 each and the proposed issue of the 120 million Subscription Shares at the Subscription Price of HK$0.40 each.

The unaudited pro forma statement of adjusted combined assets and liabilities of the Enlarged Group gives effect to the above acquisition as if it has consummated on 30 June 2005 and is prepared based upon historical financial information as set out in the Accountants' Report of Netfield Group in Appendix II to the circular and the unaudited consolidated financial statements of the Group as at 30 June 2005 as extracted from the interim results of the Group for the period ended 30 June 2005 after giving effect to the pro forma adjustments described in the accompanying notes.

The unaudited pro forma statement of adjusted combined assets and liabilities was prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group for any future financial periods.

	The Group (Unaudited)	**Top up issue of 145 million new Shares after the place down**	**Netfield Group**	**Pro forma adjustment for the assignment of amount due to a shareholder to the Group**	**Pro forma adjustment for the acquisition of Netfield Group**	**Placement of the Placing Shares**	**Issue of Subscription Shares to controlling shareholder**	**Sub-total**	**Enlarged Group**
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6(i)*	*Note 6(ii)*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets									
Non-current assets									
Property and equipment	15,234		2,542					2,542	17,776
Intangible assets	8,177								8,177
Other non-current assets	28,284								28,284
Goodwill	4,933				102,333			102,333	107,266
	56,628		2,542		102,333			104,875	161,503

	The Group (Unaudited)	Top up issue of 145 million new Shares after the place down	Netfield Group	Pro forma adjustment for the assignment of amount due to a shareholder to the Group	Pro forma adjustment for the acquisition of Netfield Group	Placement of the Placing Shares	Issue of Subscription Shares to controlling shareholder	Sub-total	Enlarged Group
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6(i)*	*Note 6(ii)*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets									
Trade and other receivables	436,681		705					705	437,386
Financial assets at fair value through profit and loss	35,651								35,651
Bank balances – trust and segregated accounts	306,385								306,385
Bank balances (general accounts) and cash	114,758	58,000	7,453		(110,000)	62,000	48,000	65,453	180,211
	893,475	58,000	8,158		(110,000)	62,000	48,000	66,158	959,633
Current liabilities									
Trade and other payables	501,717		3,033					3,033	504,750
Obligations under finance leases – amount due within one year	146								146
Amount due to a shareholder			24,470	(24,470)					
Taxation payable	734								734
Bank borrowings	166,453								166,453
	669,050		27,503	(24,470)				3,033	672,083
Net current assets (liabilities)	224,425	58,000	(19,345)	24,470	(110,000)	62,000	48,000	63,125	287,550
Total assets less current liabilities	281,053	58,000	(16,803)	24,470	(7,667)	62,000	48,000	168,000	449,053
Non current liabilities									
Obligations under finance leases – amount due after one year	233								233
Financial liability of a convertible note	35,831								35,831
	36,064								36,064
Net assets (liabilities)	244,989	58,000	(16,803)	24,470	(7,667)	62,000	48,000	168,000	412,989

Notes:

(1) The unaudited financial figures were extracted from the 2005 interim report of the Company prepared in accordance with the applicable requirements of the Listing Rules and the Hong Kong Accounting Standard ("HKAS") 34 : Interim Financial Reporting and Hong Kong Financial Reporting Standard ("HKFRSs").

(2) The amount represents the completion of the top up issue of 145 million new Shares at a price of HK$0.40 per Share on 5 October 2005 after the completion of the placement of 145 million existing Shares at a price of HK$0.40 per Share held by CIGL to independent third parties on 23 September 2005. The proceed for the issue of 145 million new Shares had been applied to settle the first deposit upon signing the S&P Agreement.

(3) This column represents the historical audited financial information of the Netfield Group as at 31 August 2005 prepared under HKFRS as set out in accountants' report of the Netfield Group expressed in RMB in Appendix II to the circular which is translated into HK$ at HK$1:RMB1.05.

(4) Pursuant to the S&P Agreement, the amount due to a shareholder, amounting to approximately HK$24,470,000, on date of the completion of the S&P Agreement will be assigned to the Group.

(5) This column represents:

Goodwill arising form the acquisition of the Netfield Group and is calculated as follows:

	HK$'000
Cost of acquisition	110,000
Net liabilities value of Netfield Group*	16,803
Assignment of amount due to a shareholder to the Group *(Note 4)*	(24,470)
	102,333

* In accordance with HKFRS 3 : Business Combinations, goodwill is the difference between the fair value of the consideration given and the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. It is assumed that the net liabilities value of the Netfield Group is equal to net fair value of the Netfield Group identifiable assets, liabilities and contingent liabilities.

(6) This represents completion of:

i. conditional Placing Agreement for the issue of 155 million Placing Shares at the Placing Price of HK$0.40 per Placing Share to independent third parties by the Company for the acquisition of the Netfield Group.

ii. conditional Subscription Agreement for the issue of another 120 million Subscription Shares at the Subscription Price of HK$0.40 per Subscription Share by the Company. The Subscription Conditions are to be fulfilled by 31 December 2005 or such other date as the Company and CIGL may mutually agree.

(7) The Group's unaudited financial figures extracted from the 2005 interim report and the accountants' report of Netfield Group were both prepared in accordance with the new HKFRS and no adjustment was considered necessary.

B. REPORT FROM DELOITTE TOUCHE TOHMATSU

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

30 November 2005

The Directors
CASH Financial Services Group Limited
21/F The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We report on the pro forma financial information of CASH Financial Services Group Limited ("Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III-A of the circular dated 30 November 2005 issued in connection with the proposed acquisition of the entire interest of Netfield Technology Limited and its subsidiaries (hereinafter together with the Group collectively referred to as the "Enlarged Group"), proposed placing of 155 million new shares, proposed issue of 120 million new shares to CIGL, proposed increase of authorised share capital and proposed refreshment of 20% new issue general mandate ("Circular"), which has been prepared, for illustrative purposes only, to provide information about how the above transactions might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on Pro Forma Financial Information Pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out in Appendix III-A of the Circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Enlarged Group as at 30 June 2005 or at any future date.

Opinion

In our opinion:

a) the unaudited pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong

C. STATEMENT OF INDEBTEDNESS

Borrowing

As at 30 September 2005, the Group had convertible note with fair value of HK$30.5 million. The maturity date of the convertible note was 31 December 2006.

As at 30 September 2005, the Group had total bank borrowings of approximately HK$146.0 million, comprising bank loans of HK$131.0 million which were drawn to finance securities margin financing to our clients and overdrafts of HK$15.0 million. The aforesaid bank loans were collateralised by our margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us.

As at 30 September 2005, cash deposits of approximately HK$0.9 million were pledged for a bank guarantee of HK$0.9 million granted to a subsidiary. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by the bank. Therefore, a bank deposit of approximately HK$16.1 million was held for this purpose.

Contingent liabilities

As at 30 September 2005, the Group had litigations as disclosed in the paragraph "Litigation" in Appendix IV to this circular.

Save as aforesaid, the Group had no other material contingent liabilities as at 30 September 2005.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities, term loans, bank overdrafts, liabilities under acceptance, acceptance credits, hire purchase commitments, mortgages and charges, at the close of business on 30 September 2005.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness, commitments or contingent liabilities of the Group since 30 September 2005.

D. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS

Liquidity ratio

As at 30 September 2005, the Group's cash and bank balances were HK$161.7 million. Our liquidity ratio was 1.3 times on 30 September 2005.

Capital commitments

Save as the balance of the Consideration of HK$55.0 million to be paid under the S&P Agreement, the Group did not have any material capital commitment as at 30 September 2005.

Foreign exchange risk

All of the Group's borrowings are in Hong Kong dollar, with the interest rates priced at close to banks' funding costs. By using effective instruments to hedge any adverse changes in interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. As at 30 September 2005, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

E. WORKING CAPITAL

The Directors are of the opinion that taking into account the Enlarged Group's existing cash and bank balances, the present available banking facilities, the net proceeds from the proposed placing of 155 million new Placing Shares to the third parties and the proposed issue of 120 million new Subscription Shares to CIGL, the Enlarged Group has sufficient working capital for its present requirements for the next twelve months in the absence of unforeseen circumstances.

F. MATERIAL ADVERSE CHANGES

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular 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 circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date and subsequent to the Capital Increase and the issue of the Subscription Shares taking effect, the authorised and issued share capital of the Company are as follows:

Authorised:

HK$	*Number of Shares*	
200,000,000.00	2,000,000,000	existing authorised share capital
100,000,000.00	1,000,000,000	to be created under the Capital Increase
300,000,000.00	3,000,000,000	new authorised share capital after the Capital Increase

Issued and to be issued fully paid:

HK$	*Number of Shares*	
104,488,144.80	1,044,881,448	Shares in issue
15,500,000.00	155,000,000	new Shares to be issued upon completion of the Placing Agreement
12,000,000.00	120,000,000	new Shares to be issued upon completion of Subscription Agreement
131,988,144.80	1,319,881,448	Shares in issue after completion of the Placing Agreement and the Subscription Agreement

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, 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 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 5.40 of the GEM Listing Rules were as follows:

A. The Company

1. Long positions in the shares

Name	Capacity	Number of shares Personal	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	534,219,434*	51.12
Wong Kin Yick Kenneth	Beneficial owner	1,720,000	–	0.16
Cheng Shu Shing Raymond	Beneficial owner	1,100,000	–	0.11
		2,820,000	534,219,434	51.39

* The shares were held as to 15,392,000 shares by Cash Guardian Limited ("Cash Guardian") and as to 518,827,434 shares by the 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.

2. 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 outstanding	Percentage to issued shares *(%)*
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.34	3,185,000	0.30
	6/10/2005	6/10/2005 – 31/10/2006	0.38	7,800,000	0.75
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.34	3,185,000	0.30
	6/10/2005	6/10/2005 – 31/10/2006	0.38	7,800,000	0.75
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.34	3,185,000	0.30
	6/10/2005	6/10/2005 – 31/10/2006	0.38	7,800,000	0.75
Cheng Man Pan	2/12/2003	1/6/2004 – 31/5/2006	0.34	650,000	0.07
	6/10/2005	6/10/2005 – 31/10/2006	0.38	7,800,000	0.75
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.34	3,185,000	0.30
	6/10/2005	6/10/2005 – 31/10/2006	0.38	7,800,000	0.75
Cheng Shu Sing Raymond	6/10/2005	6/10/2005 – 31/10/2006	0.38	1,000,000	0.10
Hui Ka Wah Ronnie	6/10/2005	6/10/2005 – 31/10/2006	0.38	1,000,000	0.10
Lo Kwok Hung John	6/10/2005	6/10/2005 – 31/10/2006	0.38	1,000,000	0.10
				55,390,000	5.32

3. 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 *(%)*
Kwan Pak Hoo Bankee	534,219,434	10,985,000	545,204,434	52.17
Law Ping Wah Bernard	–	10,985,000	10,985,000	1.05
Wong Kin Yick Kenneth	1,720,000	10,985,000	12,705,000	1.21
Cheng Man Pan Ben	–	8,450,000	8,450,000	0.81
Kwok Oi Kuen Joan Elmond	–	10,985,000	10,985,000	1.05
Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.21
Hui Ka Wah Ronnie	–	1,000,000	1,000,000	0.10
Lo Kwok Hung John	–	1,000,000	1,000,000	0.10
	537,039,434	55,390,000	592,429,434	56.70

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.62
		7,859,700	164,028,376	39.28

* 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 outstanding	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.69
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.69
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	0.23
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	0.69
				10,000,000	2.30

(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 (%)
Kwan Pak Hoo Bankee	164,028,376	3,000,000	167,028,376	38.18
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	1.85
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.23
Cheng Man Pan Ben	63,500	–	63,500	0.01
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.31
	171,888,076	10,000,000	181,888,076	41.58

2. CASH Retail Management Group Limited

(a) Long positions in the shares

Name	Capacity	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	446,572,587*	44.99

* The shares were held as to 443,572,587 shares by the CIGL and its subsidiaries, and as to 3,000,000 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) Aggregate long positions in the shares and the underlying shares

Name	Number of shares	Aggregate in number	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	446,572,587	446,572,587	44.99

Save as disclosed above, as at the Latest Practicable Date, 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).

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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	534,219,434	51.12
Cash Guardian *(Note 1)*	Interest in a controlled corporation	534,219,434	51.12
CASH *(Note 1)*	Interest in a controlled corporation	518,827,434	49.65
CIGL *(Note 1)*	Beneficial owner	518,827,434	49.65
Dr Wolfgang Auer von Welsbach *(Note 2)*	Interest in a controlled corporation	71,502,907	6.84
Auer von Welsbach Privatstiftung *(Note 2)*	Interest in a controlled corporation	71,502,907	6.84
AvW Beteiliguangsverwaltungs GmbH *(Note 2)*	Interest in a controlled corporation	71,502,907	6.84
AvW Management Beteiliguangs AG *(Note 2)*	Interest in a controlled corporation	71,502,907	6.84
AvW Invest AG *(Note 2)*	Beneficial owner	71,502,907	6.84

Notes:

(1) The shares were held by the CIGL, a wholly-owned subsidiary of CASH. CASH was owned as to approximately 37.49% 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” above.

(2) This refers to the same number of 71,502,907 shares were held by AvW Invest AG, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG was 74% owned by AvW Management Beteiliguangs AG, which in turn was 100% owned by AvW Beteiliguangsverwaltungs GmbH. AvW Beteiliguangsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders are Dr Wolfgang Auer von Welsbach and Dr Wolfgang Auer-Welsbach KEG. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiliguangsverwaltungs GmbH and AvW Management Beteiliguangs AG were deemed to be interested in all the shares held by AvW Invest AG.

Save as disclosed above, as at the Latest Practicable Date, 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.

5. DIRECTORS' INFORMATION

The biographical details and information of each of the Directors required for disclosure under the GEM Listing Rules is as follows:

Bankee Pak-hoo KWAN

Chairman, 46, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI

Mr Bankee Kwan joined the Group at its establishment. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group and CASH, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, an honorary university fellow of The Open University of Hong Kong, a trustee of New Asia College of The Chinese University of Hong Kong, an honorary member of the Board of Trustees of Nanjing University, PRC and an honorary advisor of China Charity Federation. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Peking University, PRC and an advisory professor of Nanjing University, PRC. Mr Kwan is also a member of the Chinese People's Political Consultative Conference, Shanghai Committee. Mr Kwan is also the substantial shareholder of the Company and the chairman of CASH and CRMG. His business address is 21/F The Center, 99 Queen's Road Central, Hong Kong.

Bernard Ping-wah LAW

CFO, 47, MBA, FCCA, FHKSA, MHKSI

Mr Bernard Law joined the Group at its establishment. Mr Law has extensive experience in financial management and accountancy. Before joining the Group and CASH, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also the CFO of CASH and CRMG. His business address is 21/F The Center, 99 Queen's Road Central, Hong Kong.

Kenneth Kin-yick WONG

CEO, 47, MBA, BASc

Mr Kenneth Wong joined the Group on 2 May 2000. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking. Mr Wong is also a Deputy CEO of CASH in charge of its business development in the Greater China region. His business address is 21/F The Center, 99 Queen's Road Central, Hong Kong.

Ben Man-pan CHENG

Executive Director, 36, BA, FCCA, AHKSA

Mr Ben Cheng joined the Group at its establishment and was appointed to the Board on 7 June 2004. Mr Cheng has extensive experience in auditing, accounting, financial controlling and project management. Before joining the Group and CASH, he assumed senior financial executive positions in several Hong Kong listed companies and corporations and in the fields of finance and audit. His business address is 21/F The Center, 99 Queen's Road Central, Hong Kong.

Joan Elmond Oi-kuen KWOK

Executive Director, 37, MBA, BA, FCIS

Ms Joan Kwok joined the Group at its establishment and was appointed to the Board on 16 October 2001. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group and CASH, she served as the company secretary of several Hong Kong listed companies and held senior executive positions in the fields of corporate development and general management. Ms Kwok is also the Company Secretary of the Company, and also an executive director and the company secretary of CASH as well as the company secretary of CRMG. Her business address is 21/F The Center, 99 Queen's Road Central, Hong Kong.

Raymond Shu-shing CHENG

Independent Non-executive Director, 49

Mr Raymond Cheng joined the Independent Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. Mr Cheng is the chairman of the Audit Committee of the Company. His business address is 16D Gee Chang Hong Centre, 65 Wong Chuk Hang Road, Aberdeen, Hong Kong.

Ronnie Ka-wah HUI

Independent Non-executive Director, 42, MBBS, MRCP, DCH, FHKAM, FHKCP, CFA

Dr Ronnie Hui joined the Independent Board on 3 November 2004. Dr Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. He is a CFA charterholder and is currently the head of corporate investment of a listed company in Hong Kong. Dr Hui is a member of the Audit Committee of the Company, and is also an independent non-executive director and a member of the audit committee of CRMG. His business address is G/F, 6 Tung Sing Road, Aberdeen, Hong Kong.

John Kwok-hung LO

Independent Non-executive Director, 47, MBA, CPA, FCCA, LL.B

Mr John Lo joined the Independent Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. Mr Lo is a member of the Audit Committee of the Company. His business address is Room 1102 Pacific Plaza, 418 Des Voeux Road West, Hong Kong.

6. SERVICE CONTRACT

No Director has a service contract with the Company in respect of his/her service to the Company in the capacity of a Director which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

7. COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

8. EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:–

Name	Qualification
Grand Vinco Capital Limited (Independent Financial Adviser)	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Jin Mao Law Firm ("Jin Mao")	PRC lawyers

As at the Latest Practicable Date, each of the Independent Financial Adviser, the Accountants and Jin Mao was not interested beneficially in the Shares or shares in the Company or its subsidiaries and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares or shares in any members of the Group.

As at the Latest Practicable Date, each of the Independent Financial Adviser, the Accountants and Jin Mao did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2004, being the date up to which the latest published audited consolidated accounts of the Company were made up.

Each of the Independent Financial Adviser, the Accountants and Jin Mao has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to their name in the form and context in which it appears.

9. LITIGATION

On 29 August 2002, Pang Po King Cannie ("Pang") filed a statement of claim against the Placing Agent, a wholly owned subsidiary of the Company, alleging that the Placing Agent, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with the Placing Agent to buy 1,406,000 shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. The Directors do not envisage the claim by Pang will be held valid. The case was in progress and it was in the discovery stage as at the Latest Practicable Date.

Save as above, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance which is known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CHANGE

As the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2004 (being the date to which the latest published audited accounts of the Company were made up).

11. INTERESTS OF DIRECTORS IN GROUP'S ASSETS

Since 31 December 2004, the date to which the latest published audited accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

12. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Company or its subsidiaries within two years preceding the Latest Practicable Date:

(a) the underwriting agreement entered into between the Company and CASH on 29 September 2003 in relation to a 2 for 1 rights issue of the Company at a subscription price of HK$0.25 per rights share;

(b) the underwriting agreement entered into between the Company and CASH on 18 March 2004 in relation to a 1 for 1 rights issue of the Company at a subscription price of HK$0.27 per rights share;

(c) the subscription agreement entered into between, inter alias, the Company and Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") on 16 August 2004 in relation to the issue by the Company to ARTAR of a convertible note of principal amount of HK$40.5 million and with conversion right of HK$0.27 per conversion share;

(d) the subscription agreement entered into between the Company and CIGL on 16 August 2004 in relation to the subscription by CIGL of 132 million Shares at a subscription price of HK$0.27 per Share;

(e) the Acquisition Agreement;

(f) the Placing Agreement;

(g) the Subscription Agreement; and

(h) a place down and top-up agreement entered into among the Company, CIGL and the Placing Agent on 22 September 2005 in relation to (i) the place down by the Placing Agent on behalf of CIGL of 145 million Shares at a placing price of HK$0.40 per Share, and (ii) a top up by CIGL of 145 million new Shares at a top-up price of HK$0.40 per Share.

13. MISCELLANEOUS

(a) The compliance officer of the Company is Mr Cheng Man Pan Ben, a Certified Public Accountant.

(b) The qualified accountant of the Company is Mr Wong Hon Ming Wallace, a Certified Public Accountant.

(c) The joint secretaries of the Company are Ms Kwok Oi Kuen Joan Elmond and Ms Luke Wing Sheung Suzanne, both fellow members of the Institute of Chartered Secretaries and Administrators.

(d) The head office and the principal place of business of the Company in Hong Kong is at 21/F The Center, 99 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(e) The principal share registrars and transfer office of the Company in Bermuda is The Bank of Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Standard Registrars Limited at G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any day up to and before the holding of the SGM:–

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in section headed "Material Contracts" in this Appendix;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 27 to 28 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 29 to 42 of this circular;

(e) the accountants' report of the Netfield Group, the text of which is set out in Appendix II to this circular;

(f) the letter from Accountants in respect of the pro forma financial statement of assets and liabilities of the Enlarged Group as set out in Appendix III to this circular;

(g) the PRC legal opinion from Jin Hao;

(h) the consent letters from the Independent Financial Adviser, the Accountants and Jin Mao referred to in paragraph 8 above;

(i) the audited financial statements of the Group for the three financial years ended 31 December 2002, 31 December 2003 and 31 December 2004;

(j) the unaudited first quarterly report of the Group for the three months ended 31 March 2005; and

(k) the unaudited interim report of the Group for the six months ended 30 June 2005.

CASH FINANCIAL SERVICES GROUP
時富金融服務集團

CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #8122)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of CASH Financial Services Group Limited ("Company") will be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 20 December 2005, Tuesday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**, the sale and purchase agreement ("S&P Agreement") entered into between Vantage Giant Limited ("Purchaser"), a wholly owned subsidiary of the Company, and Mr Lin Che Chu ("Vendor") on 15 September 2005 in relation to the acquisition by the Purchase from the Vendor the 100% interest in Netfield Technology Limited ("Netfield"), including all outstanding loans due from Netfield to the Vendor as at the completion of the S&P Agreement, at the consideration of HK$110,000,000 be, subject to several conditions as set out in the S&P Agreement and described in the circular of the Company ("Circular") dated the same date of this notice including, inter alia, the completion of the Placing Agreement as defined and described in resolution numbered 2 of this notice, hereby approved and ratified and the directors of the Company ("Directors") be and are hereby authorized to do such things or make such arrangement as they may think fit to give effect to the completion of the S&P Agreement."

2. "**THAT**, the placing agreement ("Placing Agreement") entered into between the Company and Celestial Securities Limited ("Placing Agent"), a wholly owned subsidiary of the Company, on 15 September 2005 in relation to the proposed placing of 155,000,000 million new shares ("Placing Share(s)") of HK$0.10 each in the Company ("Share(s)") by the Placing Agent at the placing price of HK$0.40 per Placing Share be, subject to several conditions as set out in the Placing Agreement and described in the Circular including, inter alia, the S&P Agreement becoming unconditional (save for the completion of the Placing Agreement), hereby approved

and ratified and the Directors be and are hereby authorized to allot and issue the Placing Shares pursuant to or in connection with the terms of the Placing Agreement and generally to do such things or make such arrangement as they may think fit to give effect to the completion of the Placing Agreement."

3. "**THAT**, the subscription agreement ("Subscription Agreement") entered into between the Company and Celestial Investment Group Limited ("CIGL"), a substantial shareholder of the Company, on 15 September 2005 in relation to the proposed issue by the Company to CIGL 120,000,000 million new Shares ("Subscription Share(s)") at the subscription price of HK$0.40 per Subscription Share be, subject to several conditions as set out in the Subscription Agreement and described in the Circular including, inter alia, the simultaneous completion of the Placing Agreement, hereby approved and ratified and the Directors be and are hereby authorized to allot and issue the Subscription Shares pursuant to or in connection with the terms of the Subscription Agreement and generally to do such things or make such arrangement as they may think fit to give effect to the completion of the Subscription Agreement."

4. "**THAT**, the authorised share capital of the Company be increased from HK$200,000,000 to HK$300,000,000 by the creation of an additional 1,000,000,000 authorised Shares and the Directors be and are hereby authorised to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect the foregoing."

5. "**THAT**,

(a) the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

By order of the Board
Kwok Oi Kuen Joan Elmond
Company Secretary

Hong Kong, 30 November 2005

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
21/F The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint proxy to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed for the meeting.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.