
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 form 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.

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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)

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



FIRST SHANGHAI 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 19 March 2007 (Monday) at 9:30 am is set out on pages 27 to 28 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) in relation to the Margin Financing Arrangement (as defined herein) is set out on pages 14 to 18 of this circular. Whether or not you are 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 at www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at www.cfsg.com.hk.

CHARACTERISTICS 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

	<i>Pages</i>
Definitions	1
Letter from the Board	
Introduction	4
Margin Financing Arrangement.....	5
General	10
SGM	10
Procedure to demand a poll by Shareholders	11
Recommendation	11
Additional information	12
Letter from the Independent Board Committee	13
Letter from the Independent Financial Adviser	14
Appendix – General information	19
Notice of SGM	27

DEFINITIONS

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

“Announcement”	the joint announcement made by the Company and CASH on 8 February 2007 in respect of, among other things, the Margin Financing Arrangement
“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of both CASH and the Company
“Associate(s)”	has the same meaning ascribed in the GEM Listing Rules
“Board”	the board of Directors
“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 Companies”	Kawoo Finance Limited and E-Tailer Holding Limited, being subsidiaries or associated companies of CASH during the period between 31 March 2004 and 31 December 2006, and are now wholly-owned subsidiaries of CASH, which are connected persons of the Company
“CASH Group”	CASH and its subsidiaries
“Cash Guardian”	Cash Guardian Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of CASH
“Company”	CASH Financial Services Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on GEM

DEFINITIONS

“Connected Clients”	Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of CASH and the Company), Mr Cheng Man Pan Ben (an executive director of the Company) and Mr Lin Che Chu George (an executive director of CASH), Cash Guardian, a substantial shareholder of CASH, and ARTAR, a substantial shareholder of each of CASH and the Company, and CASH Companies (wholly-owned subsidiaries of CASH)
“Connected Person”	has the meanings ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee of the Company comprising Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John to advise the Independent Shareholders on the Margin Financing Arrangement
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than CASH and the Connected Clients and their respective Associates
“Latest Practicable Date”	27 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Margin Financing Arrangement”	the granting of margin financing facility by the Company to the Connected Clients
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Previous Assistance”	the margin financing facility previously extended by the Company to certain Connected Clients and CASH Companies during the period between 31 March 2004 and 31 December 2006
“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 Margin Financing Arrangement
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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

LAW Ping Wah Bernard

WONG Kin Yick Kenneth

CHENG Man Pan Ben

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

1 March 2007

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

INTRODUCTION

On 8 February 2007, the Board made the Announcement that, among other things, the proposed Margin Financing Arrangement with each of the Connected Clients.

As the Connected Clients are Connected Persons of the Company, the granting of the margin financing facilities by the Company to them would constitute financial assistance for the Company under Chapter 20 of the GEM Listing Rules. As the margin financing facility to be provided to each of the Connected Clients would exceed 2.5% of each of the percentage ratios (other than the profits ratio) under the GEM Listing Rules and HK\$10,000,000, the financial assistance contemplated will be subject to the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules. Each of the Connected Clients

LETTER FROM THE BOARD

and their respective Associates are required to abstain from voting in respect of the resolution to approve the Margin Financing Arrangement. The Independent Board Committee has been established to consider the terms of the Margin Financing Arrangement. First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms and conditions of the Margin Financing Arrangement.

The purpose of this circular is to give you further information regarding the Margin Financing Arrangement and the notice of the SGM at which an ordinary resolution will be proposed to approve the Margin Financing Arrangement.

MARGIN FINANCING ARRANGEMENT

Parties to the Margin Financing Arrangement

- (a) the Company
- (b) Connected Clients, which are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of CASH and the Company), Mr Cheng Man Pan Ben (an executive director of the Company) and Mr Lin Che Chu George (an executive director of CASH), and Cash Guardian, a substantial shareholder of CASH, and ARTAR, a substantial shareholder of each of CASH and the Company, and CASH Companies. Each of the Connected Clients is a Connected Person of the Company.

Cash Guardian is an investment holding company. ARTAR is a member of a business group with major presence in Saudi Arabia. The principal activity of ARTAR is investment holding and its group is engaged in many different lines of business in Saudi Arabia, including contracting, real estate development, commodities trading, industrial development, catering, agriculture, banking, healthcare and investments in real estates, equities, bonds and other financial instruments internationally.

Margin financing facility granted

Save for the proposed margin financing arrangement with ARTAR, where a margin financing facility of up to HK\$4 billion will be extended to ARTAR for each of the three financial years ending 31 December 2009, the margin financing facility being extended to each of the other Connected Clients will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2009.

LETTER FROM THE BOARD

The amount of the margin financing facility to be extended to each of the Connected Clients is determined after arm's length negotiation between the parties by reference to the anticipated trading volume of securities by the Connected Clients as a result of the buoyant primary and secondary securities markets in Hong Kong.

The Board considers that the granting of margin financing facilities by the Company to its client is in the usual and ordinary course of business of the Company. With improvements in the economy and sentiment in the securities market in Hong Kong, there has been significant increase in demand for margin financing facilities. Having considered the buoyant securities market and discussed the margin financing requirements with each of the Connected Clients, the Board considers that the proposed caps are appropriate and provide more flexibility to the Company in conducting its margin financing business. In addition, the Board considers that the higher margin financing arrangements would also (a) provide additional interest income, and (b) strengthen the securities broking business and thereby bring strategic and marketing benefits to the Group.

In respect of ARTAR, the proposed annual cap of HK\$4 billion was determined after consultation with ARTAR with reference to the anticipated level of investment and trading in securities to be conducted by ARTAR.

Duration and terms

The Margin Financing Arrangement will have a fixed term of three financial years ending on 31 December 2009 and is conditional upon:

- (1) the Company having obtained approval from its Independent Shareholders on the Margin Financing Arrangement and the margin financing facility to be extended to each of the Connected Clients at the SGM convened in compliance with the GEM Listing Rules; and
- (2) CASH having obtained approval from its independent shareholders on the Margin Financing Arrangement and the margin financing facility to be extended to each of the Connected Clients at the special general meeting of CASH convened in compliance with the Listing Rules.

If the conditions above are not satisfied on or before 30 June 2007 or such later date as may be agreed between the Company and the Connected Clients, the Margin Financing Arrangement will not proceed.

LETTER FROM THE BOARD

Other terms

The Company will enter into written margin financing agreements on same terms and conditions as disclosed in this circular with each of the Connected Clients upon the granting of the margin financing facility to such Connected Client.

The margin financing facilities will be provided to the Connected Clients on normal commercial terms and at commercial rates which are similar to the rates offered to other margin clients.

Each of the margin financing facilities is repayable on demand and will be secured by listed securities held by the respective Connected Clients.

Reasons for the transaction

The Company is principally engaged in the provision of (a) online and traditional brokerage services for securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance; (d) other financial services; and (e) online game services. The Board considers that the provision of the margin financing facilities to the Connected Clients is in the ordinary and usual course of business of the Company and is in the interest of the Company and its Shareholders as a whole as it would enable the Company to capture the securities trading activities of the Connected Clients thereby enlarging its customer base and increasing its brokerage income as a result of the increased trading activities.

Given that the margin financing facilities are being provided on terms no more favourable than to the other clients of the Company, the Directors (including the independent non-executive directors of the Company) consider that the terms of the Margin Financing Arrangement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Previous Assistance

The Company has provided margin financing facility to certain Connected Clients and CASH Companies since 2004.

The Company has adopted a set of corporate governance principles in compliance with the code on corporate governance of the GEM Listing Rules and has established internal control systems including functions on financial control, company secretarial, legal, operation, compliance and risk management (“Operation Departments”) to monitor compliance with the code on corporate governance and the GEM Listing Rules. In case of doubt, the Company would also seek advices from its legal and financial advisers from time to time.

LETTER FROM THE BOARD

Prior to the amendments of the GEM Listing Rules that came into effect on 31 March 2004, the grant of financial assistance to a Connected Person was considered to be in the ordinary and usual course of business of the Company and exempted from the reporting, announcement and Independent Shareholders' approval requirements under the GEM Listing Rules then in effect. Pursuant to the amendments to the GEM Listing Rules, the definition of ordinary and usual course of business as defined in Chapter 20 of the GEM Listing Rules has been amended to include only financial assistance provided by banking companies. As a result of the amendments, the provision of margin financing by the Company, which is not a banking institution, to Connected Persons will be subject to the reporting, announcement and Independent Shareholders' approval requirements of the GEM Listing Rules. The Previous Assistance has exceeded 2.5% of each of the percentage ratios (other than the profits ratio) under the GEM Listing Rules and HK\$10,000,000 and should be subject to the reporting, announcement and Independent Shareholders' approval requirements of the GEM Listing Rules. Due to an inadvertent oversight of the effect of the amendments, the Company did not make timely disclosure of the margin financing facilities provided to certain Connected Clients and CASH Companies and seek prior Independent Shareholders' approvals in respect of the Previous Assistance. The Directors were only aware of such breaches of the GEM Listing Rules around the end of December 2006 and have taken immediate steps to remedy the issue with all outstanding amounts due under the Previous Assistance repaid on 31 December 2006 or fallen below the threshold of HK\$1,000,000. The Operation Departments have also been reminded of the list of Connected Persons of the Company and the threshold of HK\$1,000,000 that must not be exceeded for any financial assistance. The Operation Departments are now closely monitoring the margin financing facilities granted by the Company to ensure compliance with the GEM Listing Rules.

LETTER FROM THE BOARD

The amounts of the Previous Assistance are as follows:

Name	Closing balance as at 31 December 2006 <i>(HK'000)</i>	As at	Facility amount <i>(HK\$'000)</i>	Maximum amount during the period/year ended 31 December <i>(HK\$'000)</i>
Cash Guardian	–	31 December 2004	10,178	10,178
		31 December 2005	11,569	11,569
		31 December 2006	–	12,731
Mr Wong Kin Yick Kenneth and his Associates	648	31 December 2005	1,087	1,129
		31 December 2006	648	1,720
Kawoo Finance Limited	–	31 December 2004	1,348	4,042
		31 December 2005	–	1,260
		31 December 2006	–	31,014
E-Tailer Holding Limited	–	31 December 2004	–	5,328
		31 December 2005	–	4,497

As of 31 December 2006, all outstanding amounts of the Previous Assistance have been fully repaid or fallen below the threshold of HK\$1,000,000.

The Company acknowledges that during the period from 31 March 2004 to 28 February 2006, being the period that the amendments to the GEM Listing Rules that came into effect on 31 March 2004, there have been incidents of non-compliance by the Company with the disclosure obligations in relation to advances to entities under Chapter 17 of the GEM Listing Rules.

The Company confirms full compliance with the GEM Listing Rules in respect of advances to entities since the amendments of the GEM Listing Rules on 1 March 2006.

The Company has established procedures to regularly monitor the utilization rates of margin financing facilities granted to customers to ensure compliance with the disclosure requirements of the GEM Listing Rules. Operation personnel were also informed of the applicable threshold for the purpose of disclosure. The Company will comply with the disclosure obligations under Chapter 17 of the GEM Listing Rules for advances to entities and the margin financing facility proposed to be granted to ARTAR.

LETTER FROM THE BOARD

GENERAL

CASH is principally engaged in the (a) financial services provided via the Company including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance, other financial services and online game services; (b) retailing of furniture and household items and trendy digital products; and (c) investment holding.

The Company is principally engaged in the provision of (a) online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance; (d) other financial services; and (e) online game services.

As each of the Connected Clients is a Connected Person of the Company, the granting of the margin financing facilities to the Connected Clients would constitute financial assistance under Chapter 20 of the GEM Listing Rules. As each of the margin financing facilities to be granted would exceed 2.5% of each of the percentage ratios (other than the profits ratio) under the GEM Listing Rules and HK\$10,000,000, the financial assistance to be provided by the Company to the Connected Clients will be subject to the Independent Shareholders' approval requirements under the GEM Listing Rules for the Company.

The Independent Board Committee has been formed to advise the Independent Shareholders of the terms of the Margin Financing Arrangement. The Company has appointed First Shanghai Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Margin Financing Arrangement.

The resolution to be proposed at the SGM for approving the Margin Financing Arrangement will be taken by poll where each of the Connected Clients (including ARTAR and Cash Guardian) and their respective Associates will abstain from voting.

SGM

Set out on pages 27 to 28 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 19 March 2007 at which an ordinary resolution will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of the Margin Financing Arrangement by poll, to which each of the Connected Persons and their respective Associates are required to abstain from voting in accordance with the GEM Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are 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) Chairman of the meeting; or
 - (b) at least 3 registered Shareholders (as represented personally, or by proxy, or by corporate representative) entitled to vote at the meeting; or
 - (c) 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; or
 - (d) a registered Shareholder or registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

In relation to the Margin Financing Arrangement, your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 13 to 18 of this circular. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that the terms of the Margin Financing Arrangement 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 it therefore recommends the Independent Shareholders to vote in favour of the resolution above relating to the Margin Financing Arrangement at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the general information on the Group as set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
Bankee P Kwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

1 March 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

We refer to the circular dated 1 March 2007 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 terms of the Margin Financing Arrangement, and to advise the Independent Shareholders whether, in our opinion, the terms of the Margin Financing Arrangement 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. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Margin Financing Arrangement.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular which contains, inter alia, information on the Margin Financing Arrangement and the letter from the Independent Financial Adviser set out on pages 14 to 18 of the Circular which contains its advice in respect of the terms of the Margin Financing Arrangement.

Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Margin Financing Arrangement 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution above to be proposed at the SGM to approve the Margin Financing Arrangement.

Yours faithfully

Independent Board Committee

Cheng Shu Shing Raymond

Hui Ka Wah Ronnie

Lo Kwok Hung John

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in respect of the Margin Financing Arrangement prepared for the purpose of incorporation in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

1 March 2007

*To 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 Sir or Madam,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Margin Financing Arrangement, details of which are set out in the circular of the Company dated 1 March 2007 ("Circular") to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

According to the Announcement, the Company wishes to seek approval from the Independent Shareholders on the provision of margin financing facilities by the Company to the Connected Clients. As the Connected Clients are Connected Persons of the Company, the Margin Financing Arrangement would constitute financial assistance for the Company under Chapter 20 of the GEM Listing Rules. As the margin financing facility to be provided to each of the Connected Clients would exceed 2.5% of each of the percentage ratios (other than the profits ratio) under the GEM

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Listing Rules and HK\$10,000,000, the financial assistance contemplated will be subject to the reporting, announcement and Independent Shareholders' approval and each of the Connected Clients and their respective Associates are required to abstain from voting in respect of the resolution to approve the Margin Financing Arrangement at the SGM.

The Independent Board Committee, comprising the independent non-executive Directors namely Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, has been appointed to advise the Independent Shareholders in Margin Financing Arrangement. Our role, as the Independent Financial Adviser, is to give an independent opinion as to whether the terms and conditions of the Margin Financing Arrangement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the Margin Financing Arrangement, we have taken into account the following principal factors and reasons:

1. Background

The Group is principally engaged in the provision of (a) online and traditional brokerage services for securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance; (d) other financial services; and (e) online game services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the “Letter from the Board” in the Circular, the Company proposed to enter into the Margin Financing Arrangement to provide margin financing facilities to Connected Clients with an amount up to HK\$4 billion and HK\$30 million for ARTAR and each of the other Connected Clients respectively for each of the three financial years ending 31 December 2009.

2. Reasons for entering into the Margin Financing Arrangement

As mentioned in the “Letter from the Board” in the Circular, the Board considers that provision of margin financing facilities to the Connected Clients is in the ordinary and usual course of business of the Company and is in the interest of the Company and the Shareholders as a whole as it would enable the Company to capture the securities trading activities of the Connected Clients thereby enlarging its customer base and increasing its brokerage income as a result of the increased trading activities.

We have reviewed the annual report of the Company for the year ended 31 December 2005 and noticed that the Group’s revenue generated from broking service and financing service amounted to approximately HK\$171.6 million and HK\$34.8 million for the year ended 31 December 2005, represents approximately 80.4% and 16.3% of the total revenue respectively. The Group’s broking service includes broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their trading services while financing service consists of provision of margin financing and money lending services. We have also reviewed the interim report of the Company for the six months ended 30 June 2006 (“Interim Report 2006”) and noticed that the Group recorded revenue from broking service and financing service of approximately HK\$134.2 million and HK\$35.5 million for the six months ended 30 June 2006, represented a growth of approximately 65.8% and 193.6% respectively when compared to the corresponding period in 2005. As stated in the Interim Report 2006, the increase was due to the continued speculation over appreciation of Renminbi and the continuous boom of initial public offerings during the period.

Given that the Group generated over 95% of its revenue from broking and financing business for the year ended 31 December 2005 as stated above, we are of the view that the provision of margin financing facilities to the Connected Clients is in the ordinary and usual course of business of the Company. Having considered the above, we concur with the Board’s view that it is in the interest of the Company and the Shareholders as a whole as it would enable the Company to capture the securities trading activities of the Connected Clients thereby enlarging its customer base and increasing its brokerage income as a result of the increased trading activities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Margin financing facilities granted and key terms of the Margin Financing Arrangement

As mentioned in the “Letter from the Board” in the Circular, save for the proposed margin financing arrangement with ARTAR, where a margin financing facility of up to HK\$4 billion will be extended to ARTAR for each of the three financial years ending 31 December 2009, the margin financing facility being extended to each of the other Connected Clients will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2009. Based on the discussion with the Directors, the amount of the margin financing facility to be extended to each of the Connected Clients is determined after arm’s length negotiation between the parties by reference to the anticipated trading volume of securities by the Connected Clients as a result of the buoyant primary and secondary securities markets in Hong Kong.

According to the information posted on the website of Hong Kong Exchanges and Clearing Limited, the shares of 49 companies and 6 companies were listed on the Main Board and the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in 2006, with a total amount of fund raised of approximately HK\$307.7 billion, as compared with approximately HK\$165.7 billion in 2005. Total market turnover increased from approximately HK\$4,520.4 billion in 2005 to HK\$8,376.3 billion in 2006. Having considered the equity market condition in Hong Kong and understood that the amount of the margin financing facility to be extended to each of the Connected Clients is determined after arm’s length negotiation between the parties by reference to the anticipated trading volume of securities by the Connected Clients, we share the Board’s view that the proposed caps could provide more flexibility to the Company in conducting its margin financing business.

The margin financing facilities will be provided to the Connected Clients on normal commercial terms and at commercial rates which are similar to the rates offered to other margin clients. Each of the margin financing facilities is repayable on demand and will be secured by listed securities held by the respective Connected Clients. The Company will enter into written margin financing agreements with each of the Connected Clients upon the granting of the margin financing facility to such Connected Client. According to the Directors, the approval of margin financing facilities follows a strict in-house policy in compliance with the relevant rules and regulations recommended and imposed by the Securities and Futures Commissions, where the Company performs assessment on the settlement history, trading pattern, financial background, quality of share portfolio, as well as the anticipated trading volume of securities of the Connected Clients, in order to determine the amount of facility to be granted. We have reviewed the previous agreements entered into by the Company with certain Connected Clients and independent third parties regarding margin financing facility and are not aware that there were any terms offered to the Connected Clients that are more favourable than those offered to independent third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that i) the proposed caps could provide more flexibility to the Company in conducting its margin financing business; ii) the terms of Margin Financing Arrangement are no more favourable than to the other clients of the Company; and iii) the basis and procedure on determining the margin financing facility to be extended to the Connected Clients, we are of the view that the terms of the Margin Financing Arrangement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Margin Financing Arrangement is in the interests of the Company and the Shareholders as a whole and that the terms of the Margin Financing Arrangement are fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Margin Financing Arrangement.

Yours faithfully,
For and on behalf of
First Shanghai Capital Limited

Helen Zee
Managing Director

Fanny Lee
Director

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. 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 5.46 of the GEM Listing Rules were as follows:

A. The Company

1. Long positions in the ordinary Shares

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

* The Shares were held as to 638,827,434 Shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 Shares by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in CASH through Cash Guardian as disclosed in the “substantial Shareholders” below.

2. Long positions in the underlying shares – options under share option schemes

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

3. Aggregate long positions in the ordinary Shares and the underlying shares

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

B. Associated corporations (within the meaning of SFO)**CASH***(a) Long positions in the ordinary shares*

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

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

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

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

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

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

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).

3. 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	679,219,434	49.15
Cash Guardian (Note 1)	Interest in a controlled corporation	679,219,434	49.15
CASH (Note 1)	Interest in a controlled corporation	638,827,434	46.22
CIGL (Note 1)	Beneficial owner	638,827,434	46.22
Mr Al-Rashid, Abdulrahman Saad (“Mr Al-Rashid”) (Note 2)	Interest in a controlled corporation	207,636,000	15.02

Name	Capacity	Number of Shares	Shareholding (%)
Abdulrahman Saad Al-Rashid & Sons Company Limited (“ARTAR”) (Note 2)	Beneficial owner	207,636,000	15.02
Dr Wolfgang Auer von Welsbach (Note 3)	Interest in a controlled corporation	71,502,907	5.17
Auer von Welsbach Privatstiftung (Note 3)	Interest in a controlled corporation	71,502,907	5.17
AvW Beteiligungsverwaltungs GmbH (Note 3)	Interest in a controlled corporation	71,502,907	5.17
AvW Management Beteiligungs AG (Note 3)	Interest in a controlled corporation	71,502,907	5.17
AvW Invest AG Aktiengesellschaft (Note 3)	Beneficial owner	71,502,907	5.17

Notes:

- (1) This refers to the same number of 679,219,434 Shares which were held as to 638,827,434 Shares by CIGL (a wholly-owned subsidiary of CASH), and as to 40,392,000 Shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian. Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed “Directors’ Interests” above.
- (2) This refers to the same number of 207,636,000 Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the Shares held by ARTAR.
- (3) This refers to the same number of 71,502,907 Shares held by AvW Invest AG Aktiengesellschaft, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG Aktiengesellschaft was 74% owned by AvW Management Beteiligungs AG, which in turn was 100% owned by AvW Beteiligungsverwaltungs GmbH. AvW Beteiligungsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders include Dr Wolfgang Auer von Welsbach. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiligungsverwaltungs GmbH and AvW Management Beteiligungs AG were deemed to be interested in all the Shares held by AvW Invest AG Aktiengesellschaft.

Save as disclosed above, 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.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

As at the Latest Practicable Date, 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.

6. EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:–

Name	Qualification
First Shanghai Capital Limited	A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not interested beneficially in the Shares or shares in 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 member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser 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 2005, being the date up to which the latest published audited consolidated accounts of the Company were made up.

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

7. LITIGATION

- (a) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited (“CISI”), a wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK\$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.
- (b) On 29 August 2002, 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 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 that the claim by Pang will be held valid. The case was in progress and it was still 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.

8. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up).

9. INTERESTS OF DIRECTORS IN GROUP’S ASSETS

Since 31 December 2005, 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.

10. INTERESTS OF DIRECTORS IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

11. MISCELLANEOUS

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

12. 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 letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 18 of this circular; and
- (c) the consent letter from the Independent Financial Adviser as referred to in paragraph 6 above.

NOTICE OF SGM



FINANCIAL SERVICES GROUP

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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 19 March 2007 (Monday) at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**, the transactions contemplated under the Margin Financing Arrangement (as defined in the circular of the Company dated 1 March 2007 (“Circular”), a copy of which was marked “A” and has produced to the Meeting and signed by the Chairman thereof for the purpose of identification), in respect of a margin financing facility of up to HK\$4 billion to be extended to ARTAR (as defined in the Circular) and the margin financing facilities of up to HK\$30 million to be extended to each of the other Connected Clients (as defined in the Circular) by the Company for each of the three financing years ending 31 December 2009 be and are hereby approved and the directors of the Company be and are hereby authorised to sign any documents and do such things or make such arrangement as they may think fit to give effect to the Margin Financing Arrangement.”

By order of the Board

Suzanne W S Luke

Company Secretary

Hong Kong, 1 March 2007

NOTICE OF SGM

Head Office and Principal Place

of Business in Hong Kong:

21/F The Center
99 Queen's Road Central
Hong Kong

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies 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.