
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this document or the Offers contained herein, you should consult a licensed securities dealer or registered institution 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 document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s). This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Share Offer contained herein.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document and the accompanying Form of Acceptance and make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the accompanying Form of Acceptance.



**CELESTIAL ASIA
SECURITIES HOLDINGS
LIMITED (“CASH”)**

*(incorporated in Bermuda with
limited liability)*

(Stock code: 1049)

**CELESTIAL
INVESTMENT GROUP
LIMITED (“CIGL”)**

*(incorporated in the British Virgin
Islands with limited liability)*

CASH
FINANCIAL SERVICES GROUP
時富金融服務集團
**CASH FINANCIAL
SERVICES GROUP
LIMITED (“CFSG”)**

*(incorporated in Bermuda
with limited liability)*

(Stock code: 8122)

**COMPOSITE OFFER AND RESPONSE DOCUMENT
RELATING TO THE
UNCONDITIONAL MANDATORY CASH OFFERS
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF CIGL
FOR ALL THE ISSUED SHARES IN,
AND ALL OUTSTANDING SHARE OPTIONS OF, CFSG
OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY CIGL OR PARTIES ACTING IN CONCERT WITH IT**

Financial Adviser to CIGL



CELESTIAL CAPITAL LIMITED

**Independent financial adviser to the Independent Board Committee,
Independent CFSG Shareholders and CFSG Option Holders**



FIRST SHANGHAI CAPITAL LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this document.

A letter from Celestial Capital Limited containing, among other things, details of the Offers is set out on pages 7 to 14. A letter from the CFSG Board is set out on pages 15 to 21. A letter from the Independent Board Committee containing its recommendation to the Independent CFSG Shareholders and the CFSG Option Holders, and a letter from First Shanghai containing its advice and recommendation to the Independent CFSG Shareholders, the CFSG Option Holders and the Independent Board Committee in respect of the Offers are set out on pages 22 to 23 and pages 24 to 44 of this document respectively.

The procedures for acceptance and settlement of the Share Offer are set out in Appendix I to this document and in the accompanying Form of Acceptance. Acceptances of the Share Offer should be received by Registrar, by no later than 4:00 pm on 28 June 2007 (or such later time and/or date as the Offeror may decide and announce, with the consent of the Executive, in accordance with the Takeovers Code).

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>Page</i>
DEFINITIONS	1
EXPECTED TIMETABLE	6
LETTER FROM CELESTIAL CAPITAL	7
LETTER FROM THE CFSG BOARD	15
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	22
LETTER FROM FIRST SHANGHAI	24
APPENDIX I – FURTHER TERMS OF THE OFFERS	45
APPENDIX II – FINANCIAL INFORMATION ON THE CFSG GROUP	52
APPENDIX III – GENERAL INFORMATION	132

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by CIGL from the Vendors at HK\$0.38 per CFSG Share pursuant to the S&P Agreements
“Announcement”	the joint announcement dated 18 May 2007 issued by CASH and CFSG in relation to, among other things, the Offers
“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of both CASH and CFSG holding approximately 16.5% and 15.0% of the issued share capital of CASH and CFSG respectively
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“associated company”	has the meaning ascribed to it under the Takeovers Code
“Business Day”	a business day is a day on which the Stock Exchange is open for the transaction of business
“CASH”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“CASH Board”	the board of CASH Directors
“CASH Director(s)”	the director(s) of CASH
“CASH Group”	CASH and its subsidiaries
“CASH Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of CASH
“CASH Shareholder(s)”	holder(s) of CASH Share(s)
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

DEFINITIONS

“Celestial Capital”	Celestial Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and an subsidiary of both CASH and CFSG, being the financial adviser to the Offeror in respect of the Offers
“CFSG”	CASH Financial Services Group Limited (stock code: 8122), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the GEM and a subsidiary of CASH
“CFSG Board”	the board of directors of CFSG
“CFSG Director(s)”	the director(s) of CFSG
“CFSG Group”	CFSG and its subsidiaries
“CFSG Options”	options granted to executive directors, employees, consultants, advisers or agents of any member of the CASH Group pursuant to the share option scheme of CFSG adopted on 19 February 2002 which entitle the holders thereof to subscribe for CFSG Shares at a certain exercise price
“CFSG Option Holders”	holders of CFSG Options
“CFSG Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of CFSG
“CFSG Shareholder(s)”	holder(s) of CFSG Share(s)
“CIGL” or “Offeror”	Celestial Investment Group Limited, a wholly-owned subsidiary of CASH
“Closing Date”	28 June 2007, being the 21st day after the date on which this document is posted or, if the Offers are extended, the closing date of the Offers as extended by the Offeror in accordance with the Takeovers Code
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Form of Acceptance”	the accompanying form of acceptance and transfer of the CFSG Shares in respect of the Share Offer
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Independent Board Committee”	an independent committee of the CFSG Board comprising Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, all of whom are independent non-executive CFSG Directors, established to advise the Independent CFSG Shareholders and the CFSG Option Holders on the Offers
“Independent CFSG Shareholders”	CFSG Shareholders other than the Offeror together with parties acting in concert with it
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry on business in type 6 regulated activity (advising on corporate finance) under the SFO and being the independent financial adviser to the Independent Board Committee, Independent CFSG Shareholders and CFSG Option Holders in relation to the Offers
“Latest Practicable Date”	5 June 2007, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“Last Trading Day”	10 May 2007, the last trading day for the CFSG Shares prior to the date of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the unconditional mandatory cash offer for all outstanding CFSG Options at the Option Offer Price being made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code

DEFINITIONS

“Option Offer Price”	the cash amount of HK\$0.084 payable by the Offeror to CFSG Option Holders for each outstanding CFSG Option accepted under the Option Offer
“PRC” or “China”	the People’s Republic of China
“Registrar”	Standard Registrars Limited, the Hong Kong branch share registrar of CFSG situated at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“S&P Agreements”	agreements entered into between, among others, CIGL as the purchaser and the Vendors on 11 May 2007 in relation to the Acquisition
“Sale Date”	11 May 2007, being the date of the S&P Agreements
“Sale Price”	the consideration for the Sale Shares in the amount of HK\$0.38 per Sale Share
“Sale Shares”	27,000,000 existing CFSG Shares
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the unconditional mandatory cash offer for all the issued CFSG Shares not already owned or agreed to be acquired by the Offeror or parties acting in concert with it at the Share Offer Price being made by Celestial Capital on behalf of the Offeror in accordance with the Takeovers Code
“Share Offer Price”	the cash amount of HK\$0.38 payable by the Offeror to the Independent CFSG Shareholders for each CFSG Share accepted under the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Vendors”	VXL Capital Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange, and Make Perfect Investment Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr Cheung Yu Shum, a private investor, both of them are third parties independent of CASH and connected persons (as defined under the Listing Rules) of CASH
“HK\$” and “cents”	Hong Kong dollar(s) and cents respectively, the lawful currencies of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2007

Despatch date of this document and the accompanying Form of Acceptance and the commencement date of the Offers (<i>Note 1</i>)	7 June
Latest time for acceptance of the Share Offer	4:00 pm on 28 June
Closing Date of the Offers (<i>Note 2</i>).....	28 June
Announcement of the result of the Offers posted on the website of GEM	7:00 pm on 28 June
Announcement of the result of the Offers published in newspapers in Hong Kong	29 June
Latest date for despatch of remittances for the amounts due under the Share Offer in respect of valid acceptances received on or before 4:00 pm on the Closing Date (<i>Note 3</i>).....	6 July

Notes:

1. The Offers are made on 7 June 2007, being the date of posting of this document, and are capable of acceptance on and from that date until the Closing Date.
2. The Offers, which are unconditional, will be closed on 28 June 2007 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. An announcement will be issued through the website of GEM by 7:00 pm on 28 June 2007 stating whether the Offers have been revised or extended or have expired or in relation to any extension of the Offers, to state also either the next closing date or that the Offers will remain open until further notice. In the event that the Offeror decides that the Offers will remain open until further notice, at least 14 days' notice in writing will be given, before the Offers are closed, to those Independent CFSG Shareholders who have not accepted the Share Offer and the CFSG Option Holders. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this document.
3. The Offers are unconditional. Acceptance of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code.
4. The consideration payable for the CFSG Shares tendered under the Share Offer (after deducting the seller's ad valorem stamp duty) will be paid as soon as possible but in any event within 10 days of the date of the receipt of all the valid requisite documents by the Registrar.

All references to time and dates contained in this documents refer to Hong Kong local time and dates.

LETTER FROM CELESTIAL CAPITAL



CELESTIAL CAPITAL LIMITED

21/F, Low Block, Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

7 June 2007

*To the Independent CFSG Shareholders
and the CFSG Option Holders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF CIGL
FOR ALL THE ISSUED SHARES IN,
AND ALL OUTSTANDING SHARE OPTIONS OF, CFSG
OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY CIGL OR PARTIES ACTING IN CONCERT WITH IT**

INTRODUCTION

On 18 May 2007, CASH and CFSG jointly announced that, among other things, CIGL (a wholly-owned subsidiary of CASH) had entered into the S&P Agreements with the Vendors pursuant to which CIGL has acquired an aggregate of 27,000,000 CFSG Shares, representing approximately 1.95% shareholding in CFSG, from the Vendors for a consideration of HK\$0.38 per CFSG Share. The Acquisition was completed on 11 May 2007.

The Offeror, together with parties acting in concert with it, were beneficially interested in an aggregate of 713,293,982 CFSG Shares, representing approximately 51.58% of the issued share capital of CFSG before the Acquisition. In the 12-month-period immediately prior to the Acquisition, the lowest collective percentage holding of the Offeror and the parties acting in concert with it was 49.87% on 12 May 2006. Immediately following the completion of the Acquisition and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 740,293,982 CFSG Shares, representing approximately 53.53% of the total issued CFSG Shares. As the Offeror, together with parties acting in concert with it, have acquired more than 2% of the voting rights of CFSG immediately after the Acquisition compared with their lowest collective

LETTER FROM CELESTIAL CAPITAL

percentage holding in CFSG in the preceding 12-month-period, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued CFSG Shares other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it in accordance with Rule 26.1(d) of the Takeovers Code. Under Rule 13 of the Takeovers Code, the Offeror is also required to make a comparable offer for the outstanding CFSG Options not already owned by the Offeror or parties acting in concert with it. The principal terms of the Offers are set out under the section headed “The Offers” of this letter. Celestial Capital is making the Offers on behalf of the Offeror.

This letter, together with Appendix I to this document and the accompanying Form of Acceptance, sets out, among other things, the terms and other details of the Offers, information on the Offeror and its intention regarding the CFSG Group. Your attention is also drawn to the letter from the CFSG Board as well as the respective letters of advice from the Independent Board Committee, which has been formed to give its recommendation in respect of the Offers to the Independent CFSG Shareholders and the CFSG Option Holders, and First Shanghai, which has been appointed as the independent financial adviser to the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders to give its advice and recommendation on the Offers, as contained in this document.

THE OFFERS

As at the Latest Practicable Date, there were (i) a total of 1,383,051,448 CFSG Shares in issue (of which 740,293,982 CFSG Shares were owned by the Offeror and the parties acting in concert with it); and (ii) an aggregate of 105,300,000 outstanding CFSG Options with an exercise price of HK\$0.296 per CFSG Share.

Save for the CFSG Options, CFSG has no other convertible securities, options, derivatives or warrant outstanding and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of CFSG as at the Latest Practicable Date.

Principal terms of the Offers

Celestial Capital, on behalf of the Offeror, is now making the Offers on the following basis:

(1) Consideration for the Offers

The Share Offer:

For each CFSG Share HK\$0.38 in cash

The Option Offer:

For each outstanding CFSG Option..... HK\$0.084 in cash

LETTER FROM CELESTIAL CAPITAL

The Offers are unconditional in all respects and their acceptance shall be irrevocable and cannot be withdrawn, save for the circumstances set out in Rule 19.2 of the Takeovers Code.

(2) *Comparison of value*

The Share Offer:

The Share Offer Price is the same as the Sale Price for each Sale Share under the S&P Agreements and represents:

- (a) a discount of approximately 1.30% to the closing price of HK\$0.385 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 1.06% over the average of the closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.376 per CFSG Share;
- (c) a premium of approximately 2.56% over the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.3705 per CFSG Share;
- (d) a premium of approximately 6.15% over the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day, being HK\$0.358 per CFSG Share;
- (e) a discount of approximately 28.30% to the closing price of HK\$0.53 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a premium of approximately 8.57% over the audited net asset value of approximately HK\$0.35 per CFSG Share based on the audited net asset value of the CFSG Group as at 31 December 2006.

LETTER FROM CELESTIAL CAPITAL

The Option Offer:

The Option Offer Price is determined by reference to the Share Offer Price and the exercise price of the CFSG Options at HK\$0.296 per CFSG Share. The closing price per CFSG Share as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date, were HK\$0.385 and HK\$0.530 respectively. Accordingly, the CFSG Options are all in the money. The Option Offer Price is equivalent to the difference between the Share Offer Price and the exercise price of the CFSG Options.

Each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers. Accordingly, there is no form of acceptance in relation to the Option Offer despatched to the CFSG Option Holders and no arrangement will be made for the CFSG Option Holders to accept the Option Offer.

(3) Total consideration for the Offers

As at the Latest Practicable Date, there were 1,383,051,448 CFSG Shares in issue (of which 740,293,982 CFSG Shares were already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Based on the Share Offer Price, the entire issued share capital of CFSG is valued at approximately HK\$525.6 million under the Share Offer and all the CFSG Shares subject to the Share Offer are valued at approximately HK\$145.1 million (after taking into account the undertakings from each of CFSG Directors (other than those who are also CASH Directors) (beneficially holding an aggregate of 2,388,000 CFSG Shares), ARTAR (beneficially holding 207,636,000 CFSG Shares) and certain CFSG Shareholders (beneficially holding an aggregate of 50,888,000 CFSG Shares) that they will not accept the Share Offer).

As at the Latest Practicable Date, CFSG has an aggregate of 105,300,000 outstanding CFSG Options with an exercise price of HK\$0.296 per CFSG Share. Of such 105,300,000 outstanding CFSG Options, (i) 6,000,000 each were held by Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Cheng Man Pan Ben and 5,000,000 were held by Mr Wong Kin Yick Kenneth, being executive CFSG Directors; (ii) 1,000,000 each were held by Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, being independent non-executive CFSG Directors; and (iii) the balance of 79,300,000 were held by the other CFSG Option Holders. Each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers. No consideration for the Option Offer will be required.

LETTER FROM CELESTIAL CAPITAL

(4) *Financial resources available for the Offers*

The Share Offer will be entirely financed by a loan facility of HK\$130,000,000 granted by Wing Hang Bank, Limited to and the internal resources of the Offeror. Pursuant to the banking facility letter from Wing Hang Bank, Limited, not less than 688,827,000 CFSG Shares held by CIGL and/or Cash Guardian Limited and/or Mr Law Ping Wah Bernard have been pledged with Wing Hang Bank, Limited as the security for the facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability will depend to any significant extent on the business of CFSG. Celestial Capital, as the financial adviser to the Offeror, is satisfied that there are sufficient financial resources available to the Offeror to meet its obligations in case of a full acceptance of the Offers (after taking into account the undertakings from each of the CFSG Directors, ARTAR and certain CFSG Shareholders as disclosed above that they will not accept the Share Offer and the irrevocable undertakings from each of the CFSG Option Holders as disclosed above that they will not accept the Option Offer and will not exercise the CFSG Options before the close of the Offers).

(5) *Effect of accepting the Offers*

The Offers are unconditional. By accepting the Share Offer, the Independent CFSG Shareholders will sell their CFSG Shares to the Offeror free from all encumbrances and together with all rights attaching to the CFSG Shares as at the date of this document or thereafter, including the rights to receive all dividends and distributions declared, made or paid on or after such date.

(6) *Stamp duty*

Seller's ad valorem stamp duty arising in connection with acceptance of the Share Offer amounting to HK\$1 for every HK\$1,000 or part thereof of the amount payable in respect of the relevant acceptance will be deducted from the amount payable to the Independent CFSG Shareholders who accept the Share Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty amounting to HK\$1 for every HK\$1,000 or part thereof of the amount payable in respect of relevant acceptances and will be responsible to account to the Stamp Office of Hong Kong all the stamp duty payable for the sale and purchase of the CFSG Shares which are validly tendered for acceptance under the Share Offer.

(7) *Payment*

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.

LETTER FROM CELESTIAL CAPITAL

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company, which was incorporated in the British Virgin Islands with limited liability on 19 January 1994, and its entire issued share capital is beneficially owned by CASH.

INTENTION OF THE OFFEROR REGARDING THE CFSG GROUP AND LISTING STATUS OF CFSG

The Offeror and CFSG are currently both the subsidiaries of CASH. The current principal activities of the CASH Group consist of (a) financial services provided via CFSG 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, sales of online game auxiliary products and licensing services; (b) retailing of furniture and household items and trendy digital products; and (c) investment holding.

The Hong Kong stock market has been active and buoyant throughout the whole year of 2006. Signs of accelerating economic pick-up in PRC and continued speculation over Renminbi (“RMB”) appreciation attracted significant inflow of hot money into Hong Kong, particularly into China-related shares. Both China H-shares, red-chips and Hang Seng Indices had hit their respective record highs in December 2006. The average daily turnover for shares traded on the Stock Exchange in 2006 was approximately HK\$33.7 billion, approximately 85.2% up from HK\$18.2 billion in 2005. Notably, the initial public offering (“IPO”) market was hot and most IPO issues had been overwhelmingly received by the market because of investors’ confidence and the abundance of liquidity. CFSG had experienced rapid growth in its financial services business in the past two years on the back of the economy recovery and good performance of the Hong Kong stock market. CFSG achieved favourable results with turnover and net profit attributable to CFSG Shareholders rose 79.5% and 50% respectively for the year ended 31 December 2006 as compared with year 2005. Also, the turnover and net profit attributable to CFSG Shareholders in the first quarter of 2007 rose 89.8% and 86.5% respectively as compared with the same period last year.

Riding on China’s booming economy, the CASH Directors consider that there are tremendous growth opportunities for CFSG both in Hong Kong and on the mainland.

Based on the above reasons, the Offeror and the CASH Directors intend to continue the existing businesses of the CFSG Group and has no intention to put forward any major changes to the business of the CFSG Group and there is no existing plan for assets injection by the CASH Group.

LETTER FROM CELESTIAL CAPITAL

It is expected that all of the existing executive CFSG Directors and independent non-executive CFSG Directors will remain unchanged. The Offeror does not intend to make any changes to the existing management and employment of the employees of the CFSG Group.

The Offeror intends that CFSG shall remain listed on the GEM of the Stock Exchange after the close of the Offers and will not exercise any rights to compulsorily acquire all the CFSG Shares immediately after the close of the Offers.

Upon close of the Offers, if less than 20% of the CFSG Shares are held by the public, the Offeror and CFSG Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps which may include, placing of new and/or existing CFSG Shares by CFSG and/or the Offeror respectively, to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by CFSG. In addition, CFSG will request suspension of trading in the CFSG Shares upon close of the Offers pending the release of an announcement in relation to the restoration of the public float of CFSG.

Moreover, in the event that CFSG fails to maintain the minimum public float after the Offers for whatever reasons, CFSG will inform the CFSG Shareholders by way of an announcement.

The Stock Exchange has stated that it will closely monitor trading in the CFSG Shares on GEM and if, at the close of the Offers, less than 20% of the CFSG Shares is held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in trading of the CFSG Shares, or
- there are insufficient CFSG Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the CFSG Shares until a sufficient level of public float is attained.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by CFSG. Under the GEM Listing Rules, the Stock Exchange has the power pursuant to the GEM Listing Rules to aggregate a series of transactions.

ACCEPTANCE AND SETTLEMENT

The Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Independent CFSG Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong are recommended to consult their own professional advisers and ensure that all applicable legal and regulatory requirements in their own jurisdictions have been complied with.

Your attention is drawn to the further details regarding the procedures for acceptance of the Share Offer set out in Appendix I to this document and the accompanying Form of Acceptance.

LETTER FROM CELESTIAL CAPITAL

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of accepting the Share Offer. It is emphasised that none of the Offeror, the parties acting in concert with it and Celestial Capital, any of their respective directors, and any other parties involved in the Offers will accept responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Share Offer.

GENERAL

To ensure equality of treatment of all Independent CFSG Shareholders, those registered Independent CFSG Shareholders who hold the CFSG Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order to accept the Share Offer, it is essential that the beneficial owners of the CFSG Shares, whose investments are registered in the names of their respective nominees, provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances will be sent to the Independent CFSG Shareholders and the CFSG Option Holders through ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, or register of CFSG Option Holders or, in the case of joint Independent CFSG Shareholders, to the Independent CFSG Shareholder whose name appears first in the said register of member, unless otherwise specified in the relevant Form(s) of Acceptance completed and returned by the Independent CFSG Shareholders. None of CFSG, the Offeror, the parties acting in concert with the Offeror, Celestial Capital and the Registrar or any of their respective directors will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as result thereof.

The Independent Board Committee has been formed to advise the Independent CFSG Shareholders and the CFSG Option Holders in respect of the Offers. First Shanghai has been appointed as the independent financial adviser to the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders to give its opinion and advice in relation to the Offers. The Independent CFSG Shareholders are advised to read carefully the letter from the CFSG Board, and the respective letters of advice from the Independent Board Committee and First Shanghai, as contained in this document before deciding whether or not to accept the Share Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the further terms of the Offers and the additional information set out in the Appendices to this document, which form parts of this document.

Yours faithfully,

For and on behalf of

CELESTIAL CAPITAL LIMITED

Benson Chan

Managing Director

Daphne Ng

Deputy Managing Director

LETTER FROM THE CFSG 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 CFSG Directors

Executive CFSG Directors:

Mr Kwan Pak Hoo Bankee (*Chairman*)
Mr Wong Kin Yick Kenneth (*Chief Executive Officer*)
Mr Law Ping Wah Bernard (*CFO*)
Mr Cheng Man Pan Ben (*COO*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive CFSG Directors:

Mr Cheng Shu Shing Raymond
Dr Hui Ka Wah Ronnie
Mr Lo Kwok Hung John

Head office and principal place of business:

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

7 June 2007

*To the Independent CFSG Shareholders
and the CFSG Option Holders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF CIGL
FOR ALL THE ISSUED SHARES IN,
AND ALL OUTSTANDING SHARE OPTIONS OF, CFSG
OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY CIGL OR PARTIES ACTING IN CONCERT WITH IT**

INTRODUCTION

Reference is made to the Announcement. On 18 May 2007, CASH and CFSG jointly announced that, among other things, CIGL (a wholly-owned subsidiary of CASH) had entered into the S&P Agreements with the Vendors pursuant to which CIGL has acquired an aggregate of 27,000,000 CFSG Shares, representing approximately 1.95% shareholding in CFSG, from the Vendors for a consideration of HK\$0.38 per CFSG Share. The Acquisition was completed on 11 May 2007.

LETTER FROM THE CFSG BOARD

The Offeror, together with parties acting in concert with it, were beneficially interested in an aggregate of 713,293,982 CFSG Shares, representing approximately 51.58% of the issued share capital of CFSG before the Acquisition. In the 12-month-period immediately prior to the Acquisition, the lowest collective percentage holding of the Offeror and the parties acting in concert with it was 49.87% on 12 May 2006. Immediately following the completion of the Acquisition and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 740,293,982 CFSG Shares, representing approximately 53.53% of the total issued CFSG Shares. As the Offeror, together with parties acting in concert with it, have acquired more than 2% of the voting rights of CFSG immediately after the Acquisition compared with their lowest collective percentage holding in CFSG in the preceding 12-month-period, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued CFSG Shares other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it in accordance with Rule 26.1(d) of the Takeovers Code. Under Rule 13 of the Takeovers Code, the Offeror is also required to make a comparable offer for the outstanding CFSG Options not already owned by the Offeror or parties acting in concert with it.

Celestial Capital is making the Offers on behalf of the Offeror to the Independent CFSG Shareholders and the CFSG Option Holders for all the issued shares in, and all outstanding share options of, CFSG respectively other than other those already owned by or agreed to be acquired by the Offeror or parties acting in concert with it. Details of the Offers are set out in the letter from Celestial Capital on pages 7 to 14 of this document, Appendix I to this document and the accompanying Form of Acceptance.

The CFSG Board currently consists of four executive directors and three independent non-executive directors. The Independent Board Committee comprising Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, all being the independent non-executive CFSG Directors who are independent to the Offers, has been formed to advise the Independent CFSG Shareholders and the CFSG Option Holders in respect of the Offers. The appointment of First Shanghai as the independent financial adviser to advise the Independent Board Committee as well as the Independent CFSG Shareholders and the CFSG Option Holders on the terms of the Offers has been approved by the Independent Board Committee.

The purposes of this document is to provide you with, among other things, information relating to the CFSG Group, the Offeror and the Offers, and to set out the letter from the Independent Board Committee and the letter from First Shanghai containing their respective advice to the Independent CFSG Shareholders and the CFSG Option Holders in respect of the Offers.

LETTER FROM THE CFSG BOARD

THE OFFERS

Celestial Capital, on behalf of the Offeror, is now making the Offers on the following basis:

(1) **Consideration for the Offers**

The Share Offer:

For each CFSG Share HK\$0.38 in cash

The Option Offer:

For each outstanding CFSG Option..... HK\$0.084 in cash

The Offers are unconditional in all respects and their acceptance shall be irrevocable and cannot be withdrawn, save for the circumstances set out in Rule 19.2 of the Takeovers Code.

(2) **Comparison of value**

The Share Offer:

The Share Offer Price is the same as the Sale Price for each Sale Share under the S&P Agreements and represents:

- (a) a discount of approximately 1.30% to the closing price of HK\$0.385 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 1.06% over the average of the closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.376 per CFSG Shares;
- (c) a premium of approximately 2.56% over the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.3705 per CFSG Share;
- (d) a premium of approximately 6.15% over the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day, being HK\$0.358 per CFSG Share;

LETTER FROM THE CFSG BOARD

- (e) a discount of approximately 28.30% to the closing price of HK\$0.53 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a premium of approximately 8.57% over the audited net asset value of approximately HK\$0.35 per CFSG Share based on the audited net asset value of the CFSG Group as at 31 December 2006.

The Option Offer:

The Option Offer Price is determined by reference to the Share Offer Price and the exercise price of the CFSG Options at HK\$0.296 per CFSG Share. The closing price per CFSG Share as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date, were HK\$0.385 and HK\$0.530 respectively. Accordingly, the CFSG Options are all in the money. The Option Offer Price is equivalent to the difference between the Share Offer Price and the exercise price of the CFSG Options.

Each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers. Accordingly, there is no form of acceptance in relation to the Option Offer despatched to the CFSG Option Holders and no arrangement will be made for the CFSG Option Holders to accept the Option Offer.

FURTHER DETAILS IN RESPECT OF THE OFFERS

Further details of the Offers including, among other things, the terms of the Offers and the procedures for acceptance and settlement of the Share Offer, are contained in the letter from Celestial Capital set out on pages 7 to 14 of this document, in Appendix I to this document and in the Form of Acceptance.

LETTER FROM THE CFSG BOARD

INFORMATION ON CFSG GROUP

Business

CFSG is a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the GEM and a subsidiary of CASH. The current principal activities of the CFSG is investment holding. The principal activities of the CFSG Group are 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, sales of online game auxiliary products and licensing services.

Financial information

A summary of the audited consolidated results of the CFSG Group for each of the three financial years ended 31 December 2006, and the audited financial statements of the CFSG Group for the year ended 31 December 2006 are set out in Appendix II to this document.

Further information

Further information in relation to the CFSG Group is set out in Appendix III to this document. An expected timetable in relation to the Offers is set out under the section headed “Expected timetable” of this document.

INFORMATION ON THE OFFEROR AND FUTURE OF THE CFSG GROUP

Your attention is drawn to the section headed “Information on the Offeror” and “Intention of the Offeror regarding the CFSG Group and listing status of CFSG” in the letter from Celestial Capital as set out on pages 7 to 14 of this document.

THE OFFEROR’S INTENTION REGARDING THE CFSG GROUP

The CFSG Directors note from the letter from Celestial Capital that the Offeror intends to continue the existing businesses of the CFSG Group and has no intention to put forward any major changes to the businesses of the CFSG Group and there is no existing plan for assets injection by the CASH Group.

It is expected that all of the existing executive CFSG Directors and independent non-executive CFSG Directors will remain unchanged. The Offeror does not intend to make any changes to the existing management and employment of the employees of the CFSG Group.

LETTER FROM THE CFSG BOARD

Maintaining the listing status of CFSG

The Offeror intends that CFSG shall remain listed on the GEM of the Stock Exchange after the close of the Offers and will not exercise any rights to compulsorily acquire all the CFSG Shares immediately after the close of the Offers.

Upon close of the Offers, if less than 20% of the CFSG Shares are held by the public, the Offeror and the CFSG Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps which may include, placing of new and/or existing CFSG Shares by CFSG and/or the Offeror respectively, to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by CFSG. In addition, CFSG will request suspension of trading in the CFSG Shares upon close of the Offers pending the release of an announcement in relation to the restoration of the public float of CFSG.

Moreover, in the event that CFSG fails to maintain the minimum public float after the Offers for whatever reasons, CFSG will inform the CFSG Shareholders by way of an announcement.

The Stock Exchange has stated that it will closely monitor trading in the CFSG Shares on GEM and if, at the close of the Offers, less than 20% of the CFSG Shares is held by the public, or if the Stock Exchange believes that

- a false market exists or may exist in trading of the CFSG Shares, or
- there are insufficient CFSG Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the CFSG Shares until a sufficient level of public float is attained.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by CFSG. Under the GEM Listing Rules, the Stock Exchange has the power pursuant to the GEM Listing Rules to aggregate a series of transactions.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent CFSG Shareholders and the CFSG Option Holders and the letter from First Shanghai as set out on pages 22 to 23 and pages 24 to 44 of this document respectively, which set out their respective recommendations in relation to the Offers and the principal factors considered by them in arriving at their recommendations.

LETTER FROM THE CFSG BOARD

ADDITIONAL INFORMATION

In considering what action to take in connection with the Share Offer, Independent CFSG Shareholders should consider their own tax positions and, if they are in any doubt, they should consult their professional advisers. You are recommended to read this document together with the Form of Acceptance for details of the Share Offer. Your attention is also drawn to the additional information contained in the Appendices to this document.

Yours faithfully,
For and on behalf of the CFSG Board
Bankee P Kwan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this document:



CASH FINANCIAL SERVICES GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 8122)

7 June 2007

*To the Independent CFSG Shareholders
and the CFSG Option Holders,*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF CIGL
FOR ALL THE ISSUED SHARES IN,
AND ALL OUTSTANDING SHARE OPTIONS OF, CFSG
OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY CIGL OR PARTIES ACTING IN CONCERT WITH IT**

We refer to the composite document dated 7 June 2007 (“Document”) jointly issued by CFSG, the Offeror and CASH to the Independent CFSG Shareholders and the CFSG Option Holders, of which this letter forms part. Details of the Offers are set out in the letter from the CFSG Board and the letter from Celestial Capital contained in the Document, Appendix I to the Document and the Form of Acceptance. Terms used in this letter shall have the same meanings as defined in the Document unless the context otherwise requires.

As the members of the Independent Board Committee, we have been appointed to make a recommendation to the Independent CFSG Shareholders and the CFSG Option Holders (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders in this respect. Details of its advice and principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from First Shanghai on pages 24 to 44 of the Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATIONS

Share Offer

Having considered the terms of the Share Offer and taken into account the information contained in the Document, and the advice of First Shanghai, we are of the opinion that the Share Offer is fair and reasonable as far as the Independent CFSG Shareholders are concerned. Accordingly, we recommend that the Independent CFSG Shareholders to accept the Share Offer.

Option Offer

The Option Offer Price is equivalent to the difference between the Share Offer Price and the exercise price of the CFSG Options at HK\$0.296 per CFSG Share. The closing price per CFSG Share as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date were HK\$0.385 and HK\$0.530 respectively, the CFSG Options are all in the money. We therefore consider the terms of the Option Offer to be fair and reasonable so far as the CFSG Option Holders are concerned.

However, each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers.

Yours faithfully,

Independent Board Committee

Cheng Shu Shing Raymond Hui Ka Wah Ronnie Lo Kwok Hung John

Independent non-executive CFSG Directors

LETTER FROM FIRST SHANGHAI

The following is the text of a letter of advice to the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders from First Shanghai in respect of the Offers for the purpose of incorporation in this document.

FIRST SHANGHAI CAPITAL LIMITED



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

7 June 2007

*To the Independent Board Committee,
the Independent CFSG Shareholders and
the CFSG Option Holders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFERS
BY CELESTIAL CAPITAL LIMITED ON BEHALF OF CIGL
FOR ALL THE ISSUED SHARES IN,
AND ALL OUTSTANDING SHARE OPTIONS OF, CFSG
OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY CIGL OR PARTIES ACTING IN CONCERT WITH IT**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders in respect of the fairness and reasonableness of the terms of the Offers. Details of the Offers are set out in the composite offer and response document jointly issued by the Offeror, CASH and CFSG dated 7 June 2007 (“Document”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Document.

As set out in the letter from the CFSG Board (“Letter from the CFSG Board”) as set out on pages 15 to 21 of the Document, on 11 May 2007, the S&P Agreements were entered into between, among others, CIGL and the Vendors pursuant to which CIGL has acquired an aggregate of 27,000,000 CFSG Shares, representing approximately 1.95% shareholding in CFSG, from the Vendors for a consideration of HK\$0.38 per CFSG Share. The Acquisition was completed on 11

LETTER FROM FIRST SHANGHAI

May 2007. The Offeror, together with parties acting in concert with it, were beneficially interested in an aggregate of 713,293,982 CFSG Shares, representing approximately 51.58% of the issued share capital of CFSG before the Acquisition. In the 12-month-period immediately prior to the Acquisition, the lowest collective percentage holding of the Offeror and parties acting in concert with it was 49.87% on 12 May 2006. Immediately following the completion of the Acquisition and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in 740,293,982 CFSG Shares, representing approximately 53.53% of the total issued CFSG Shares. As the Offeror, together with parties acting in concert with it, have acquired more than 2% of the voting rights of CFSG immediately after the Acquisition compared with their lowest collective percentage holding in CFSG in the preceding 12-month-period, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued CFSG Shares other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it in accordance with Rule 26.1(d) of the Takeovers Code. Under Rule 13 of the Takeovers Code, the Offeror is also required to make a comparable offer for the outstanding CFSG Options not already owned by the Offeror or parties acting in concert with it.

Celestial Capital, on behalf of CIGL, is making the Offers on the following basis:

The Share Offer:

For each CFSG Share **HK\$0.38 in cash**

The Option Offer:

For each outstanding CFSG Option **HK\$0.084 in cash**

Further terms and conditions of the Offers, including the procedures for acceptances, are set out in the Document and the Form of Acceptance.

LETTER FROM FIRST SHANGHAI

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive CFSG Directors, namely Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, was formed to advise the Independent CFSG Shareholders and the CFSG Option Holders in respect of the Offers. None of the following CFSG Directors is considered to be independent for the purpose of giving any advice or recommendation to the Independent CFSG Shareholders and the CFSG Option Holders in relation to the Offers for, *inter alia*, the following reasons:

- (1) Mr Kwan Pak Hoo Bankee is an executive CFSG Director and paid employee of CFSG who holds approximately 37.49% equity interest in CASH through Cash Guardian Limited, and is one of the CFSG Option Holders;
- (2) Mr Wong Kin Yick Kenneth is an executive CFSG Director and paid employee of CFSG, and is one of the CFSG Option Holders;
- (3) Mr Law Ping Wah Bernard is an executive CFSG Director and paid employee of CFSG who holds approximately 1.16% equity interest in CASH, and is one of the CFSG Option Holders; and
- (4) Mr Cheng Man Pan Ben is an executive CFSG Director and paid employee of CFSG who holds approximately 0.01% equity interest in CASH, and is one of the CFSG Option Holders.

First Shanghai is not connected with the directors, chief executive and substantial shareholders of CFSG and CASH or any of their subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee, the Independent CFSG Shareholders and the CFSG Option Holders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby First Shanghai will receive any fees or benefits from CFSG or the directors, chief executive and substantial shareholders of CFSG or any of its subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the CFSG Directors and/or the Offeror were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the CFSG Directors regarding CFSG and the Offers, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the CFSG Directors and the Offeror respectively in the Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the

LETTER FROM FIRST SHANGHAI

information contained in the Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the CFSG Directors and the Offeror. We have not, however, conducted an independent in-depth investigation into the business and affairs of the CFSG, the Offeror, CASH and their respective associates nor have we carried out any independent verification of the information supplied.

The CFSG Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Document (other than information relating to the Offeror, its associates or parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document have been arrived at after due and careful consideration and there are no other facts not contained in the Document the omission of which would make any statement in the Document misleading.

The CASH Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Document (other than information relating to the CSFG Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document have been arrived at after due and careful consideration and there are no other facts not contained in the Document the omission of which would make any statement in the Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Document (other than information relating to the CFSG Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document have been arrived at after due and careful consideration and there are no other facts not contained in the Document the omission of which would make any statement in the Document misleading.

We have not considered the tax implications on the Independent CFSG Shareholders and the CFSG Option Holders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent CFSG Shareholders and the CFSG Option Holders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

LETTER FROM FIRST SHANGHAI

THE SHARE OFFER

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

(1) Review of financial performance

CFSG was listed on the GEM board of the Stock Exchange in December 2000. CFSG 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 and their trading; (b) margin financing; (c) corporate finance; (d) other financial services; and (e) online game services, sales of online game auxiliary products and licensing services.

Referring to the annual reports of CFSG for each of the two financial years ended 31 December 2006, and the quarterly report of CFSG for the quarter ended 31 March 2007, we analyse the consolidated results of CFSG for each of the two financial years ended 31 December 2006 and for the quarter ended 31 March 2007 as follows:

i. Audited consolidated results for the financial year ended 31 December 2005

For the financial year ended 31 December 2005, CFSG recorded a revenue of approximately HK\$213.56 million, representing approximately 11% decrease as compared with the preceding financial year. Despite such a drop in revenue, CFSG still recorded an increase of approximately 12.69% and 30.60% respectively in profit before taxation and profit attributable to equity holders for the financial year ended 31 December 2005 as compared with the preceding financial year. As a result, profit before taxation and profit attributable to the equity holders amounted to approximately HK\$23.85 million and HK\$26.63 million respectively for the financial year ended 31 December 2005.

According to the annual report of CFSG for the financial year ended 31 December 2005, the increase in the profit for the year was mainly due to an improved performance of the securities trading portfolio. Although CFSG recorded a decrease in revenue for the financial year ended 31 December 2005, the drop was in part a reflection of a directionless market environment through the first half of the year and in part a result of a change in accounting treatment for brokerage commission de-regulation, especially in Hong Kong domestic securities market rebate for the year. After the abolition of the minimum commission requirement, a significant portion of CFSG's commission revenue changed from a gross to a net basis. As a result, the fees and commission income for the financial year ended 31 December 2005 decreased by approximately 15.19%. The CFSG Directors viewed that while this technically reduced the revenue for the financial year ended 31 December 2005, it had virtually no impact on CFSG's net profit.

LETTER FROM FIRST SHANGHAI

ii. Audited consolidated results for the financial year ended 31 December 2006

For the financial year ended 31 December 2006, CFSG recorded a revenue of approximately HK\$383.23 million, representing an increase of approximately 79.45% as compared with the preceding financial year. Finance costs during the year increased approximately 236.54% to approximately HK\$49.03 million. Profit before taxation and profit attributable to equity holders increased approximately 93.47% and 50.02% respectively to the amounts of HK\$46.14 million and HK\$39.94 million respectively for the financial year ended 31 December 2006 as compared with the preceding financial year.

According to the annual report of CFSG for the financial year ended 31 December 2006, the increase in revenue was attributable to the significant growth in securities brokerage income due to the continued speculation over the appreciation of RMB as well as the continuous boom of initial public offerings (“IPO”) during the year, especially for mega China-related enterprises. In addition to the securities brokerage income, CFSG also recorded a total revenue of approximately HK\$34.78 million from online game subscription income and sales of online game auxiliary products. Such revenues arose since CFSG acquired Netfield Technology Limited and its subsidiaries in September 2005. Such acquisition was completed in January 2006.

Increase in finance costs was mainly due to the increase in bank loans and overdrafts to fund securities margin financings to CFSG’s clients.

The increase in profit attributable to equity holders was mainly attributable to an improved performance of CFSG’s brokerage business. CFSG’s market share by turnover in securities brokerage business improved during the financial year ended 31 December 2006 due partly to the general market strength and partly to CFSG’s previous efforts in developing new trading platforms. The enhanced sales platforms that were put in place to deliver better execution have allowed CFSG to successfully expand their clientele to include institutional clients.

LETTER FROM FIRST SHANGHAI

iii. Unaudited consolidated results for the quarter ended 31 March 2007

For the quarter ended 31 March 2007, CFSG recorded a revenue of approximately HK\$167.84 million, representing an increase of approximately 89.77% as compared with the revenue for the quarter ended 31 March 2006. For the same period, however, other operating, selling and administrative expenses increased substantially to approximately HK\$66.98 million, representing an increase of approximately 247.56% as compared with that for the quarter ended 31 March 2006. Despite the significant increase in the expenses, CFSG managed to record profit attributable to equity holders of approximately HK\$28.55 million, representing an increase of approximately 86.47% as compared with that for the quarter ended 31 March 2006.

According to the quarterly report of CFSG for the quarter ended 31 March 2007, CFSG's market share by turnover remained strong in the first quarter attributable partly to the general market strength and partly to the marketing campaign CFSG launched at the end of 2006. However, the substantial increase in the other operating, selling and administrative expenses was due to the expansion of CFSG's online game business. However, the online game division was transferred to CFSG's holding company, CIGL, according to CFSG's announcement dated 9 January 2007. As confirmed by CFSG, the transaction was completed on 1 June 2007. Furthermore, the brokerage business, which accounted for approximately 64.5% of the core income of CFSG, experienced significant growth in the quarter ended 31 March 2007. Besides the general strength in the market during the first quarter of 2007, the income generated from IPO activities also contributed to the significant increase in revenue.

(2) Share price performance and trading liquidity

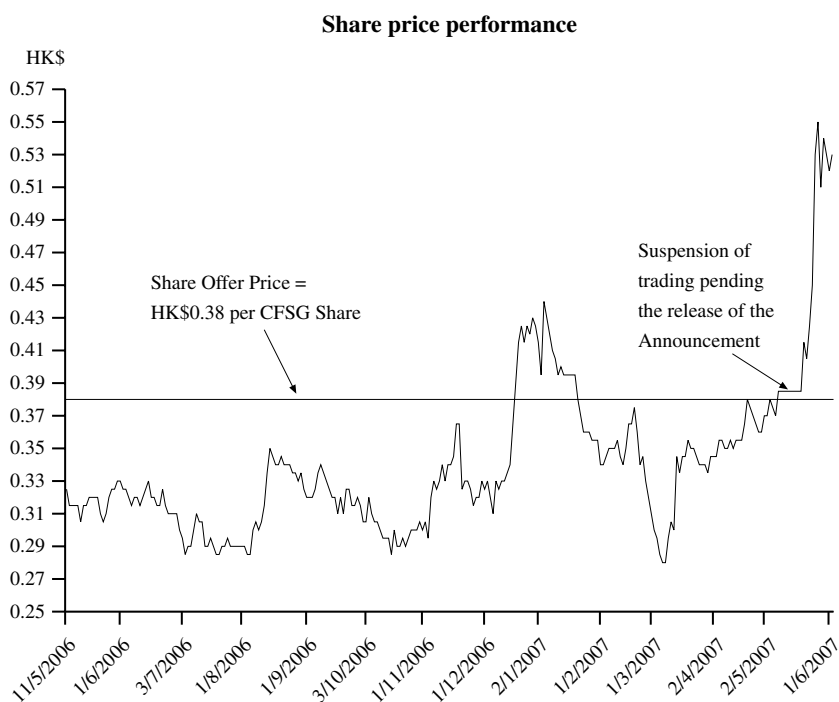
The Share Offer Price of HK\$0.38 in cash per CFSG Share equals the Sale Price paid by CIGL for each Sale Share and represents:

- i. a discount of approximately 1.30% to the closing price of HK\$0.385 per CFSG Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a premium of approximately 1.06% over the average of the closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.376 per CFSG Share;
- iii. a premium of approximately 2.56% over the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.3705 per CFSG Share;

LETTER FROM FIRST SHANGHAI

- iv. a premium of approximately 6.15% over the average of the closing prices as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the Last Trading Day, being approximately HK\$0.358 per CFSG Share;
 - v. a discount of approximately 28.30% to the closing price of HK\$0.53 per CFSG Share as quoted on the Stock Exchange on the Latest Practicable Date; and
 - vi. a premium of approximately 8.57% over the audited net asset value of approximately HK\$0.35 per CFSG Share based on the audited net asset value of the CFSG Group as at 31 December 2006.
- *Share price performance*

For the purpose of further comparing the Share Offer Price of HK\$0.38 per CFSG Share with the market price of the CFSG Shares, we plot the closing prices of the CFSG Shares traded on the Stock Exchange from 11 May 2006 to the Last Trading Day (being the 12-month period prior to the Announcement as 52-week benchmarking period is a commonly used tenure for analysis purpose) and further up to the Latest Practicable Date (“Review Period”) as follows:



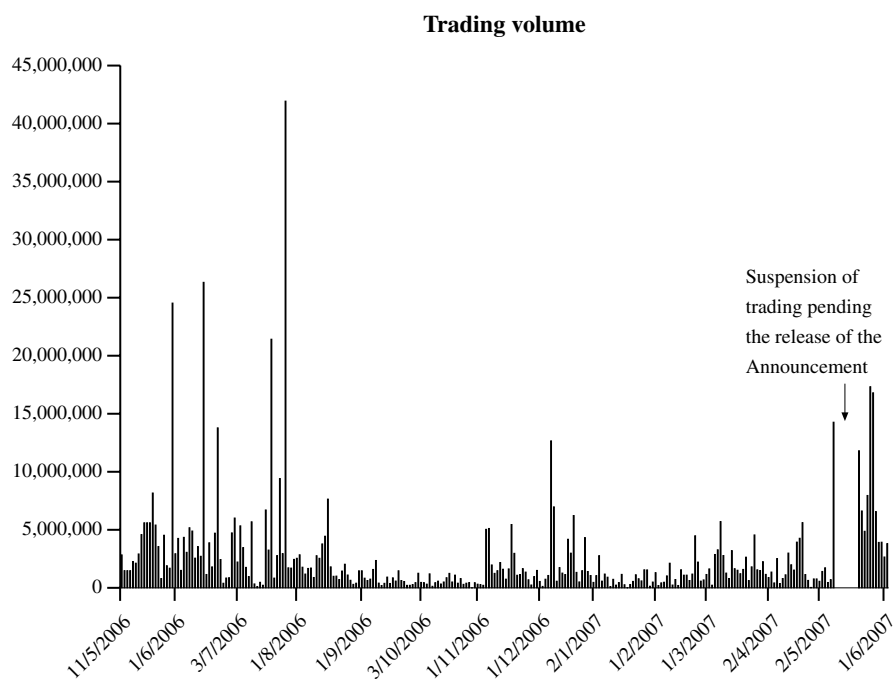
Source: Bloomberg

LETTER FROM FIRST SHANGHAI

During the Review Period, the CFSG Shares have been trading at a price level well below the Offer Price of HK\$0.38, except for the period from 19 December 2006 to 22 January 2007 and the period from 21 May 2007 to the Latest Practicable Date. During the Review Period, the highest closing price was HK\$0.55 per CFSG Share recorded on 29 May 2007 and the lowest closing price was HK\$0.275 per CFSG Share recorded on 9 March 2007. The Share Offer Price represents a discount of approximately 30.91% to the highest closing price and a premium of 38.18% over the lowest closing price respectively during the Review Period. After resumption of trading of the CFSG Shares after the publication of the Announcement and up to the Latest Practicable Date, the closing prices of the CFSG Shares were in the range of HK\$0.405 to HK\$0.55, which was above the Share Offer Price.

- *Liquidity*

The following chart shows the daily trading volume of the CFSG Shares during the Review Period:



Source: Bloomberg

LETTER FROM FIRST SHANGHAI

The highest, lowest and average daily turnover of the CFSG Shares during the Review Period and the percentages of average daily turnover as compared with the total number of CFSG Shares in issue and the total number of CFSG Shares held by Independent CFSG Shareholders as at the Latest Practicable Date are tabulated below:

Month	Highest daily turnover <i>(Number of CFSG Shares)</i>	Lowest daily turnover <i>(Number of CFSG Shares)</i>	Average daily turnover <i>(Number of CFSG Shares)</i>	Percentage of average daily turnover to total number of CFSG Shares in issue	Percentage of average daily turnover to total number of CFSG Shares held by Independent CFSG Shareholders <i>(Note)</i>
				(%)	(%)
2006					
May	8,172,000	800,030	3,447,758	0.25	0.54
June	26,324,524	397,294	5,477,473	0.40	0.85
July	41,937,018	116,500	5,684,184	0.41	0.88
August	7,647,062	301,500	2,033,184	0.15	0.32
September	2,357,800	200,400	793,124	0.06	0.12
October	1,260,018	885	588,148	0.04	0.09
November	5,456,626	219,891	1,720,979	0.12	0.27
December	12,662,193	124,881	2,674,712	0.19	0.42
2007					
January	2,769,955	2,275	799,854	0.06	0.12
February	4,484,300	200,962	1,115,861	0.08	0.17
March	5,708,000	228,520	2,024,098	0.15	0.31
April	5,615,927	37,000	1,754,737	0.13	0.27
May (up to and including the Last Trading Day)	14,273,007	461,838	2,844,738	0.21	0.44
May (from the date of resumption of trading on 21 May to 31 May)	17,328,463	3,916,250	9,485,645	0.69	1.48
June (up to and including the Latest Practicable Date)	3,934,038	2,658,740	3,467,200	0.25	0.54
During the Review Period			2,597,699	0.19	0.40

Source: Bloomberg

Note: Based on the total number of the CFSG Shares held by Independent CFSG Shareholders of 642,757,466 CFSG Shares as at the Latest Practicable Date.

LETTER FROM FIRST SHANGHAI

During the Review Period, we noticed that the trading volume of the CFSG Shares was very thin with average daily trading volume of approximately 0.40% of the total number of the CFSG Shares held by Independent CFSG Shareholders. As at the Latest Practicable Date, the aggregate amount of CFSG Shares held by Independent CFSG Shareholders represented approximately 247 times the average daily trading volume for the Review Period.

Having regard to the low level of liquidity in the trading of the CFSG Shares during the Review Period, and the possible reduction of the CFSG Shares held by the Independent CFSG Shareholders as a result of the Share Offer, Independent CFSG Shareholders would unlikely be able to sell a large number of their CFSG Shares in the market without depressing the market price of the CFSG Shares. The Share Offer as such represents an alternative for Independent CFSG Shareholders to realise their investments.

(3) *Price/earnings multiple*

One of the most commonly used references for valuing a listed company is the price earnings multiple (“P/E multiple”) based on its historical earnings. For the purpose of considering the P/E multiple representing the Share Offer Price, we have identified nine companies (excluding CFSG) which, as far as we are aware, are all the Hong Kong based companies listed on the Main Board and the GEM of the Stock Exchange which are principally engaged in similar business as CFSG in Hong Kong (“Comparables”). We noticed that they are currently trading at the following historical P/E multiples compared to that of CFSG:

Company (Stock code)	Principal business	Historical net profit/(loss) (HK\$ million)	Latest published audited earnings/(loss) per share (HK\$)	Historical P/E multiple as at the Last Trading Day (Note)	Historical P/E multiple at the Latest as Practicable Date (Note)	Market capitalisation as at the Latest Practicable Date (HK\$ million)
Taifook Securities Group Limited (665)	Provision of securities and futures contracts broking and trading, margin and other financing, corporate advisory, placing and underwriting services, bullion contracts dealing and trading, leveraged foreign exchange trading, nominee and custodian services, fund management and financial planning services	172.33	0.2971	11.61	12.99	2,354.00

LETTER FROM FIRST SHANGHAI

Company (Stock code)	Principal business	Historical net profit/(loss) <i>(HK\$ million)</i>	Latest published audited earnings/(loss) per share <i>(HK\$)</i>	Historical P/E multiple as at the Last Trading Day <i>(Note)</i>	Historical P/E multiple at the Latest as Practicable Date <i>(Note)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
Dragon Hill Holdings Limited (305) <i>(formerly known as Magnum International Holdings Limited)</i>	Provision of securities dealing and margin finance, money lending and property investment	22.07	0.068	23.53	21.62	1,394.28
Hantec Investment Holdings Limited (111)	Provision of leveraged foreign exchange trading and broking services, securities broking, commodities and future broking, provision of corporate finance advisory services, fund management, financial planning and insurance broking, and trading and broking of precious metal contracts	52.27	0.1329	4.97	7.00	372.72
SW Kingsway Capital Holdings Limited (188)	Investment in securities and investment properties, stock and future brokerage, provisional of financial advisory services, asset management, money lending and other securities related financial services	19.34	0.006	39.17	60.83	1,185.60

LETTER FROM FIRST SHANGHAI

Company (Stock code)	Principal business	Historical net profit/(loss) <i>(HK\$ million)</i>	Latest published audited earnings/(loss) per share <i>(HK\$)</i>	Historical P/E multiple as at the Last Trading Day <i>(Note)</i>	Historical P/E multiple at the Latest as Practicable Date <i>(Note)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
South China Financial Holdings Limited (619)	Provision of securities trading and investment services, money lending, property investment, securities and commodities broking, corporate advisory and underwriting services and investment holding	25.30	0.0051	24.71	36.08	945.92
Shenyin Wanguo (H.K.) Limited (218)	Provision of investment banking and financial advisory services, securities trading, securities broking and dealing	129.89	0.2447	11.40	27.75	3,078.40
Karl Thomson Holdings Limited (7)	Provisional of financial services including securities and future brokerage, mutual funds and insurance-linked investment plans brokerage, securities margin financing, corporate finance advisory services and investment banking	11.32	0.0241	131.95	112.03	1,318.59

LETTER FROM FIRST SHANGHAI

Company (Stock code)	Principal business	Historical net profit/(loss) <i>(HK\$ million)</i>	Latest published audited earnings/(loss) per share <i>(HK\$)</i>	Historical P/E multiple as at the Last Trading Day <i>(Note)</i>	Historical P/E multiple at the Latest as Practicable Date <i>(Note)</i>	Market capitalisation as at the Latest Practicable Date <i>(HK\$ million)</i>
Value Convergence Holdings Limited (8101)	Provision of investment banking and financial services, including corporate financial advisory, broking and dealing services in securities and futures and options contracts, margin financing, securities underwriting, placing arrangement, and investment advice and management	26.33	0.1045	19.14	17.99	492.49
Emperor Capital Group Limited (717)	Provision of a wide range of financial services including brokerage services for securities, futures and options, margin and initial public offering financings, as well as loans and advances to clients	25.99	0.092	6.09	13.48	709.50
				P/E multiple based on the Share Offer Price		
CFSG	Provision of online and traditional securities trading, margin financing, corporate finance, other financial services and online game services	40.20	0.029	13.10		

Source: Bloomberg

Note: The historical price earnings multiples are based on the closing prices of the shares of the relevant companies as at the Last Trading Day and the Latest Practicable Date and the latest published audited earnings per share of the relevant companies.

LETTER FROM FIRST SHANGHAI

Based on the Share Offer Price of HK\$0.38 per CFSG Share and the historical earnings per CFSG Share of approximately HK\$0.029 for the year ended 31 December 2006, the Share Offer Price represented a P/E multiple of approximately 13.10 times which is within the range of approximately 4.97 times to approximately 131.95 times for that of the Comparables mentioned above. If we take out the outlier Karl Thomson Holdings Limited which was trading at 131.95 times, the range would have been from 4.97 times to 39.17 times (“Comparable Range”), of which the P/E multiple for the Share Offer Price is still within the Comparable Range. As such, we consider that the Share Offer Price is fair and reasonable so far as Independent CFSG Shareholders are concerned from the P/E multiple perspective.

(4) *Price to book ratio*

For the purpose of assessing the fairness and reasonableness of the Share Offer Price, we consider that it may be appropriate to further compare the price to book ratio (“P/B ratio”) of the Comparables to that representing the Share Offer Price. We have tabulated below the P/B ratio of the Comparables as at the Last Trading Day based on their respective net asset value as reported in their latest published financial reports:

Company (Stock code)	Latest published financial statements	Closing share price as at the Last Trading Day (HK\$)	Latest published net asset/(liability) value per share (HK\$)	P/B ratio on the Last Trading Day
Taikook Securities Group Limited (665)	31 December 2006	3.45	2.015	1.71
Dragon Hill Holdings Limited (305) <i>(formerly known as Magnum International Holdings Limited)</i>	31 December 2006	1.60	0.043	37.21
Hantec Investment Holding Limited (111)	31 December 2006	0.66	0.859	0.77
SW Kingsway Capital Holdings Limited (188)	31 December 2006	0.235	0.208	1.13
South China Financial Holdings Limited (619)	31 December 2006	0.126	0.074	1.70

LETTER FROM FIRST SHANGHAI

Company (Stock code)	Latest published financial statements	Closing share price as at the Last Trading Day (HK\$)	Latest published net asset/(liability) value per share (HK\$)	P/B ratio on the Last Trading Day
Shenyin Wanguo (H.K.) Limited (218)	31 December 2006	2.79	1.502	1.86
Karl Thomson Holdings Limited (7)	31 December 2006	3.18	0.463	6.87
Value Convergence Holdings Limited (8101)	31 December 2006	2.00	0.763	2.62
Emperor Capital Group Limited (717)	31 December 2006	0.56	0.886	0.63
		Share Offer Price (HK\$)		P/B ratio based on the Share Offer Price
CFSG		0.38	0.352	1.08

Source: www.hkex.com and Bloomberg

The P/B ratio as at the Last Trading Day of the Comparables ranged from approximately 0.63 times to approximately 37.21 times.

Upon comparison, we note that the P/B ratio of the Share Offer Price of approximately 1.08 falls inside the range of the Comparables. As such, we consider that the Share Offer Price is fair and reasonable so far as Independent CFSG Shareholders are concerned from the P/B ratio perspective.

LETTER FROM FIRST SHANGHAI

(5) Cash offer precedents

For the purpose of assessing whether or not the Share Offer Price is fair and reasonable, we have attempted to compare it with the share offers made within a twelve-month period prior to the Latest Practicable Date (“Comparable Offers”) among the Comparables and reviewed their valuation statistics. Table below sets out a summary of the valuation statistics of the Comparable Offers.

Company (stock code)	Date of announcement	Market capitalisation <i>(Note 1)</i> <i>HK\$ million</i>	Premium/ (discount) represented by the share offer price over/(to) the closing price on the respective last trading day <i>%</i>	P/E multiple	P/B ratio
Taikook Securities Group Limited (665)	26 April 2007	1,290.72	13.60	8.18 <i>(Note 2)</i>	1.24 <i>(Note 2)</i>
Dragon Hill Holdings Limited (305) <i>(formerly known as Magnum International Holdings Limited)</i>	30 March 2006	49.20	(60.56)	N/A <i>(Note 3)</i>	N/A <i>(Note 4)</i>
CFSG	20 May 2007	573.97	(1.30)	13.10 <i>(Note 2)</i>	8.57 <i>(Note 4)</i>

Source: www.hkex.com

Notes:

1. Based on the market capitalisation on the respective last trading day.
2. Based on the annual report for the year ended 31 December 2006.
3. N/A denotes not applicable as the company recorded net loss based on the annual report for the year ended 31 December 2004.
4. N/A denotes not applicable as the company recorded net liability based on the interim report for the six months ended 30 June 2005.

LETTER FROM FIRST SHANGHAI

From the above table, the share offer prices of the two Comparable Offers when compared to their closing prices as at the respective last trading day recorded a premium of approximately 13.60% and a discount of 60.56%, respectively. The discount represented by the Share Offer Price of HK\$0.38 per CFSG Share to the closing price of the CFSG Shares on the Last Trading Day was within the range. The fact that Dragon Hill Holdings Limited recorded net loss and net liability makes it non-comparable to the Share Offer Price. On the other hand, from the P/E multiple and P/B ratio perspectives, the Share Offer Price is more favourable as compared with the share offer price for Taifook Securities Group Limited.

(6) *Intention of the Offeror regarding the CFSG Group and listing status of CFSG*

The Offeror and the CASH Directors intend to continue the existing businesses of the CFSG Group and has no intention to put forward any major changes to the business of the CFSG Group and there is no existing plan for assets injection by the CASH Group.

It is expected that all of the existing executive CFSG Directors and independent non-executive CFSG Directors will remain unchanged. The Offeror does not intend to make any changes to the existing management and employment of the employees of the CFSG Group.

The Offeror intends that CFSG shall remain listed on the GEM of the Stock Exchange after the close of the Offers and will not exercise any rights to compulsorily acquire all the CFSG Shares immediately after the close of the Offers.

Upon close of the Offers, if less than 20% of the CFSG Shares are held by the public, the Offeror and CFSG Directors will jointly and severally undertake to the Stock Exchange to take appropriate steps which may include, placing of new and/or existing CFSG Shares by CFSG and/or the Offeror respectively, to ensure that the minimum public float requirement under the GEM Listing Rules is complied with by CFSG. In addition, CFSG will request suspension of trading in the CFSG Shares upon close of the Offers pending the release of an announcement in relation to the restoration of the public float of CFSG.

Moreover, in the event that CFSG fails to maintain the minimum public float after the Offers for whatever reasons, CFSG will inform the CFSG Shareholders by way of an announcement.

LETTER FROM FIRST SHANGHAI

The Stock Exchange has stated that it will closely monitor trading in the CFSG Shares on GEM and if, at the close of the Offers, less than 20% of the CFSG Shares is held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in trading of the CFSG Shares, or
- there are insufficient CFSG Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend dealings in the CFSG Shares until a sufficient level of public float is attained.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by CFSG. Under the GEM Listing Rules, the Stock Exchange has the power pursuant to the GEM Listing Rules to aggregate a series of transactions.

Recommendation

Having considered the principal factors discussed above, and in particular, the following:

- i. the Share Offer Price is above the historical closing prices of the CFSG Shares for a majority of the Review Period;
- ii. the trading volume of the CFSG Shares was very thin with average daily trading volume of approximately 0.40% of the total number of CFSG Shares held by the Independent CFSG Shareholders during the Review Period;
- iii. Independent CFSG Shareholders would unlikely be able to sell a large number of their CFSG Shares in the market without depressing the market price of the CFSG Shares. The Share Offer as such represents an alternative for Independent CFSG Shareholders to realise their investments; and
- iv. the P/E multiple and P/B ratio of the Share Offer Price is within the range of those for the Comparables,

we are of the view that the terms of the Share Offer are fair and reasonable so far as Independent CFSG Shareholders are concerned, and accordingly advise the Independent Board Committee to recommend Independent CFSG Shareholders to accept the Share Offer.

LETTER FROM FIRST SHANGHAI

Independent CFSG Shareholders should also note the possibility that the consistently thin trading volume of the CFSG Shares (as recorded during the Review Period) may render them difficult to dispose of their CFSG Shares in the market without exerting downward pressure on the price of the CFSG Shares. However, since the current market price of the CFSG Shares is higher than the Share Offer Price for the CFSG Shares, we would like to advise the Independent Board Committee to recommend those Independent CFSG Shareholders who, having regard to their own circumstances, wish to realise part or all of their investment in the CFSG Shares to closely monitor the market price and the liquidity of the CFSG Shares during the offer period and consider selling their CFSG Shares in the market rather than accepting the Share Offer if the net sale proceeds exceed the amount receivable under the Share Offer.

In case so applicable, Independent CFSG Shareholders should read carefully the procedures for accepting the Share Offer as detailed in Appendix I to the Document and the Form of Acceptance. Independent CFSG Shareholders are strongly advised that the decision to realise or to hold their investment in the CFSG Shares is subject to individual circumstances and investment objectives.

THE OPTION OFFER

As stated in the Letter from the CFSG Board, there are 105,300,000 outstanding CFSG Options with an exercise price of HK\$0.296 per CFSG Share. Of such 105,300,000 outstanding CFSG Options, (i) 6,000,000 each were held by Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Cheng Man Pan Ben and 5,000,000 were held by Mr Wong Kin Yick Kenneth, being executive CFSG Directors; (ii) 1,000,000 each were held by Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John, being independent non-executive CFSG Directors; and (iii) the balance of 79,300,000 were held by the other CFSG Option Holders.

Based on the Option Offer Price of HK\$0.084 per CFSG Option, the Option Offer values the outstanding CFSG Options at HK\$8,845,200. The exercise price of the CFSG Options of HK\$0.296 is approximately 23.12% below the closing price per CFSG Share of HK\$0.385 on the Last Trading Day and is approximately 44.15% below the closing price per CFSG Share of HK\$0.53 on the Latest Practicable Date. The CFSG Options are all in the money. The Option Offer Price is equivalent to the difference between the Share Offer Price and the exercise price of the CFSG Options. Accordingly, we consider that the Option Offer is fair and reasonable so far as the CFSG Option Holders are concerned.

LETTER FROM FIRST SHANGHAI

Nevertheless, we noted that each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Eric Lee

Managing Director

Executive Director

PROCEDURES FOR ACCEPTANCE OF THE OFFERS**(A) Share Offer**

- (a) If the CFSG Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CFSG Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your CFSG Shares, you must either:
- (i) lodge your CFSG Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver in an envelope marked “CFSG Share Offer” with the Form(s) of Acceptance duly completed, together with the relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the Registrar; or
 - (ii) arrange for the CFSG Shares to be registered in your name by CFSG through the Registrar, and deliver in an envelope marked “CFSG Share Offer” with the Form(s) of Acceptance duly completed, together with the relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand to the Registrar; or
 - (iii) if your CFSG Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees limited, you should check with your broker/custodian bank for the timing on processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or
 - (iv) if your CFSG Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

- (b) If the CFSG Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your CFSG Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your CFSG Shares, the Form(s) of Acceptance should nevertheless be completed and delivered in an envelope marked “CFSG Share Offer” to the Registrar together with a letter stating that you have lost one or more of your CFSG Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your CFSG Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (c) If you have lodged transfer(s) of any of your CFSG Shares for registration in your name and have not yet received your CFSG Share certificate(s), and you wish to accept the Share Offer in respect of your CFSG Shares, you should nevertheless complete the Form(s) of Acceptance and deliver the same in an envelope marked “CFSG Share Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to Celestial Capital and/or the Offeror or their respective agent(s) to collect from CFSG or the Registrar on your behalf the relevant CFSG Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.
- (d) An acceptance may not be counted as valid unless:
- (i) the Form of Acceptance, together with the relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), has been received by the Registrar on or before 4:00 pm on 28 June 2007 (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Registrar has recorded that the Form(s) of Acceptance and any relevant documents required below have been so received; and

- (ii) the Form of Acceptance is duly completed and is:
1. accompanied by the relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant CFSG Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant CFSG Share(s); or
 2. from a registered CFSG Shareholder or his/her/its personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relating to the CFSG Share(s) which is/are not taken into account under any other sub-paragraph of this paragraph (2)); or
 3. certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered CFSG Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (e) No acknowledgment of receipt of any Form(s) of Acceptance, share and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) The address of the Registrar, Standard Registrars Limited, is located at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(B) Option Offer

Each of the CFSG Option Holders has given an irrevocable undertaking to the Offeror that he or she will not accept the Option Offer and he or she will not exercise the CFSG Options before the close of the Offers.

Accordingly, there is no form of acceptance in relation to the Option Offer despatched to the CFSG Option Holders and no arrangement will be made for the CFSG Option Holders to accept the Option Offer.

ACCEPTANCE PERIOD AND REVISIONS

The Offers will remain open for acceptance until 4:00 pm on the Closing Date. The Offers will close on the Closing Date unless they are extended or revised by the Offeror in accordance with the Takeovers Code. The Offeror reserves the right to extend or revise the Offers in accordance with the Takeovers Code.

If the Offers are revised, such revised Offers will remain open for acceptance for a period of at least 14 days from the date of posting of the written notification of the revision to the Independent CFSG Shareholders and the CFSG Option Holders. All the Independent CFSG Shareholders, whether or not they have already accepted the Share Offer, and the CFSG Option Holders, will be entitled to the revised Offers. In any case where the Offers are revised, and the consideration offered under the revised Offers do not represent on such date a reduction in the value of the Offers in their original or any previously revised form(s), the benefit of such revised Offers will be made available as set out herein to acceptors of the Offers in their original or any previously revised form(s) (hereinafter called “previous acceptor(s)”). The execution by, or on behalf of, a previous acceptor of any Form of Acceptance shall be deemed to constitute acceptance of the Share Offer as so revised.

If the Offers are extended, an announcement of such extension will state the next closing date and the Offers shall, unless previously extended or revised, be closed on the subsequent closing date. In the event that the closing date of the Offers is extended, any reference in this document and the Forms of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers as so extended.

ANNOUNCEMENTS

- (a) By 6:00 pm on 28 June 2007 which is the Closing Date (or such later time and/or date as the Executive agrees), the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror shall publish an announcement on the Stock Exchange’s website by 7:00 pm on the Closing Date stating whether the Offers have been revised, extended, or have expired. Such announcement must be republished in accordance with the requirements set out in item (b) below on the next Business Day. The announcement must state the following:
- (i) the total number of the CFSG Shares for which acceptances of the Share Offer have been received;
 - (ii) the total number of the CFSG Shares and the CFSG Options held, controlled or directed by the Offeror or parties acting in concert with it before the offer period; and

- (iii) the total number of the CFSG Shares and the CFSG Options acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it.

The announcement must also specify the percentages of the issued share capital of CFSG and voting rights of CFSG represented by these numbers of the CFSG Shares and the CFSG Options.

- (b) As required under the Takeovers Code and the GEM Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the website of GEM at www.hkgem.com and in at least one leading English language newspaper and one leading Chinese language newspaper being in each case a newspaper which is published daily and circulating generally in Hong Kong.

RIGHT OF WITHDRAWAL

The Offers are unconditional. Acceptances by the Independent CFSG Shareholders under the Share Offer shall be irrevocable and cannot be withdrawn except in circumstances set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that acceptors be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met.

SETTLEMENT

Provided that the Form(s) of Acceptance and relevant CFSG Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than 4:00 pm on 28 June 2007 being the latest time for acceptance of the Share Offer, a cheque for the amount due to each of the Independent CFSG Shareholders in respect of the CFSG Shares tendered by them under the Share Offer less the related seller's ad valorem stamp duty will be despatched to each of them to their addresses specified on the Forms of Acceptance by ordinary post at their own risk as soon as possible but in any event within 10 days of the date on which all the requisite documents as referred to in the above paragraph headed "Procedures for Acceptance of the Offers" in this appendix are received by the Registrar to render such acceptance complete and valid. The Offeror will then pay the stamp duty to the stamp office.

Settlement of the consideration to which any accepting Independent CFSG Shareholder(s) is/are entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer (save with respect to the payment of ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent CFSG Shareholder(s).

HONG KONG STAMP DUTY

Seller's ad valorem stamp duty for the transfer of the CFSG Shares payable by the Independent CFSG Shareholders who accept the Share Offer amounts to HK\$1.00 for every HK\$1,000 (or part thereof) of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the relevant CFSG Shares under the Share Offer, will be deducted by the Offeror from the amount payable to the Independent CFSG Shareholders on acceptance of the Share Offer. The Offeror will then pay the seller's ad valorem stamp duty on behalf of the Independent CFSG Shareholders who have accepted the Share Offer and pay the buyer's ad valorem stamp duty in respect of the CFSG Shares accepted under the Share Offer.

TAXATION

Independent CFSG Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their accepting the Share Offer. It is emphasised that none of the Offeror and parties acting in concert with it, Celestial Capital or any of their respective directors or any other person involved in the Offers, or Celestial Capital or any of their respective directors or any persons involved in the Offers accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

GENERAL

- (a) Acceptance of the Share Offer by any person or persons holding the CFSG Shares will be deemed to constitute a warranty by such person or persons to the Offeror and Celestial Capital that the CFSG Shares acquired under the Share Offer are sold by any such person or persons free from all claims, liens, charges, encumbrances, equities and third party rights and together with all rights attaching thereto, including the rights to receive all dividends and distributions declared, made or paid on or after the date of this document.
- (b) All communications, notices, Form(s) of Acceptance, the CFSG Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent CFSG Shareholders will be delivered by or sent to or from them, or their respective agents, through post at their own risk, and none of the Offeror, Celestial Capital, the Registrar nor other parties involved in the Offers or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

- (c) The provisions set out in the Form of Acceptance form part of the terms of the Share Offer.
- (d) The accidental omission to despatch this document and/or the Form of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (e) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. The Offers are made in accordance with the Takeovers Code.
- (f) Due execution of a Form of Acceptance will constitute an authority to CFSG, any CFSG Director, the Offeror, any director of the Offeror, or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct the CFSG Shares in respect of which such person or persons has/have accepted the Share Offer.
- (g) References to the Offers in this document and the Share Offer in the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by laws of other jurisdictions. The Independent CFSG Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves above and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Share Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therein, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction payable by such accepting Independent CFSG Shareholders.
- (i) The English texts of this document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2006

The following is a summary of the financial results of the CFSG Group for each of the three years ended 31 December 2006 as extracted from the annual reports of CFSG.

	2004 <i>HK\$'000</i> (Restated)	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	<u>239,972</u>	<u>213,557</u>	<u>383,228</u>
Net profit/loss before taxation	21,162	23,847	46,137
Taxation (charge) credit	<u>(350)</u>	<u>3,440</u>	<u>(5,939)</u>
Net profit after taxation	<u>20,812</u>	<u>27,287</u>	<u>40,198</u>
Minority interests	<u>424</u>	<u>661</u>	<u>254</u>
Dividends	<u>7,546</u>	<u>–</u>	<u>27,641</u>
Earnings per CFSG Share attributable to CFSG Shareholders	<u>3.2 HK cents</u>	<u>3.2 HK cents</u>	<u>2.9 HK cents</u>
Dividends per CFSG Share attributable to CFSG Shareholders	<u>1.0 HK cent</u>	<u>–</u>	<u>2.0 HK cents</u>

Notes:

1. The reports of the auditors in respect of the financial statements of the CFSG Group for each of the three years ended 31 December 2006 did not contain any qualification.
2. There was no extraordinary or exceptional items during the three years ended 31 December 2006.

3. In the year ended 31 December 2005, the CFSG Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the CFSG Group’s accounting policies in the following areas that have an effect on how the results for the current and prior accounting years are prepared and presented:

Business combinations

In the year ended 31 December 2005, the CFSG Group has applied HKFRS 3 Business Combinations which is effective for business combinations for which the agreement date is on or after 1 January 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The CFSG Group has applied the relevant transitional provisions in HKFRS 3. On 1 January 2005, the CFSG Group eliminated the carrying amount of the related accumulated amortisation and impairment of approximately HK\$104,512,000 with a corresponding decrease in the cost of goodwill. The CFSG Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the year ended 31 December 2005. Comparative figures for 2004 have not been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

Share-based payments

In the year ended 31 December 2005, the CFSG Group has applied HKFRS 2 Share-based payment which requires an expense to be recognised where the CFSG Group buys goods or obtains services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The principal impact of HKFRS 2 on the CFSG Group is in relation to the expensing of the fair value of share options granted to CFSG Directors and employees of CFSG, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the CFSG Group did not recognise the financial effect of these share options until they were exercised. The CFSG Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the CFSG Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the CFSG Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

Financial instruments

In the year 31 December 2005, the CFSG Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

(i) *Convertible loan note*

The principal impact of HKAS 32 on the CFSG Group is in relation to convertible loan note issued by CFSG that contain an early redemption option, a liability component and an equity component. Previously, convertible loan note was classified as liability on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument to separate the compound financial instrument into the early redemption option, liability component and equity component on initial recognition. Derivative embedded in a financial instrument is treated as separate derivative when its economic risk and characteristic are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, the early redemption option derivative, liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The portion relating to the derivative is charged directly to profit or loss. The issuer of a compound financial instrument has to account for these components separately. In subsequent periods, the liability component is measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The early redemption option derivative is subsequently measured at fair value at each balance sheet date. Because HKAS 32 requires retrospective application, comparative figures for 2004 have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component (see the Summary of the effects on application of HKFRSs below for the financial impact).

(ii) *Classification and measurement of financial assets and financial liabilities*

The CFSG Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the CFSG Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in profit or loss. “Held-to-maturity investments” are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the CFSG Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the CFSG Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. As a result, “other investments” amounted to approximately HK\$47,032,000 has been classified as “listed investments held for trading” on 1 January 2005 (see the Summary of the effects on application of HKFRSs below for the financial impact).

(iii) *Financial assets and financial liabilities other than debt and equity securities*

From 1 January 2005 onwards, the CFSG Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “other financial liabilities”. Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The CFSG Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

(iv) *Derivatives*

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values for derivatives that are deemed as held for trading are recognised in profit or loss for the period in which they arise.

The CFSG Group has applied the relevant transitional provisions in HKAS 39. For derivatives that do not qualified as hedging instruments under HKAS 39, on 1 January 2005, the CFSG Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005, amounting to HK\$48,000, in the CFSG Group's retained earnings (see the Summary of the effects on application of HKFRSs below for the financial impact).

Intangible assets

By 31 December 2004, intangible assets were amortised over their estimated useful lives. HKAS 38 Intangible Assets requires intangible assets to be assessed at the individual asset level as having either finite or indefinite life. A finite-life intangible asset is amortised over its estimated useful life whereas an intangible asset with an indefinite useful life is carried at cost less accumulated impairment losses (if any). Intangible assets with indefinite lives are not subject to amortisation but are tested for impairment annually or more frequently when there are indications of impairment. In accordance with the transitional provisions in HKAS 38, the CFSG Group reassessed the useful lives of its trading rights in the exchanges in Hong Kong on 1 January 2005 and concluded that the trading rights have indefinite useful lives. The CFSG Group has applied the revised useful lives prospectively and discontinued amortising the trading rights from 1 January 2005 onwards. No amortisation has been charged in relation to the trading rights for the year ended 31 December 2005. As a result, the profit for the year has been increased by approximately HK\$1,830,000. Comparative figures for 2004 have not been restated (see the Summary of the effects on application of HKFRSs below for the financial impact).

SUMMARY OF THE EFFECTS ON APPLICATION OF HKFRSs

The effects of the changes in the accounting policies described above on the results for the years ended 31 December 2004 and 2005 are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation and amortisation		
Non-amortisation of goodwill	2,694	–
Non-amortisation of trading rights	1,830	–
Salaries, commission and related benefits		
Recognition of employee share option benefits	(203)	(219)
Finance costs		
Increase in effective interest expense on the liability component of convertible loan note	(284)	(361)
Convertible loan note settlement expense		
Increase in convertible loan note settlement expense	(85)	(310)
Increase (Decrease) in profit for the year	<u>3,952</u>	<u>(890)</u>

APPENDIX II
FINANCIAL INFORMATION ON THE CFSG GROUP

The cumulative effects of the application of the new HKFRSs on 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated)			As at 31 December 2004 (restated)		Prospective adjust- ments HKAS 39	As at 1 January 2005 (restated)
	Retrospective adjustments			HK\$'000	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	HK\$'000				
Balance sheet items							
Goodwill	4,933	–	–	–	4,933	–	4,933
Intangible assets	9,092	–	–	–	9,092	–	9,092
Other assets	11,387	–	–	–	11,387	–	11,387
Listed investments held							
for trading	–	–	–	–	–	47,032	47,032
Investments	47,032	–	–	–	47,032	(47,032)	–
Convertible loan note	(40,500)	–	666	–	(39,834)	–	(39,834)
Derivative financial							
instrument	–	–	–	–	–	(48)	(48)
Other net assets	207,704	–	–	–	207,704	–	207,704
Total effects on assets and liabilities	239,648	–	666	–	240,314	(48)	240,266
Share capital	75,456	–	–	–	75,456	–	75,456
Accumulated losses	(84,951)	–	(105)	(680)	(85,736)	(48)	(85,784)
Convertible loan note equity reserve	–	–	771	–	771	–	771
Share-based payment reserve	–	–	–	680	680	–	680
Other reserves	248,333	–	–	–	248,333	–	248,333
Minority interests	–	810	–	–	810	–	810
Total effects on equity	238,838	810	666	–	240,314	(48)	240,266
Minority interests	810	(810)	–	–	–	–	–

The financial effects of the application of the new HKFRSs to the CFSG Group's equity on 1 January 2004 are summarised below:

	As originally stated	HKAS 1	HKAS 32	HKFRS 2	As restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share capital	37,728	–	–	–	37,728
Accumulated losses	(106,229)	–	(729)	(461)	(107,419)
Convertible loan note equity reserve	–	–	1,764	–	1,764
Share-based payment reserve	–	–	–	461	461
Other reserves	186,377	–	–	–	186,377
Minority interests	–	386	–	–	386
	<u>117,876</u>	<u>386</u>	<u>1,035</u>	<u>–</u>	<u>119,297</u>
Total effects on equity	<u>117,876</u>	<u>386</u>	<u>1,035</u>	<u>–</u>	<u>119,297</u>

The CFSG Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The CFSG Directors anticipate that the application of these new HKFRSs and HKFRS interpretations will have no material impact on the financial statements of the CFSG Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures ²
HKAS 21 (Amendment)	Net investment in a Foreign Operation ²
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ²
HKAS 39 (Amendment)	The Fair Value Option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts ²
HKFRS 6	Exploration for and Evaluation of Mineral Resources ²
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 4	Determining whether an Arrangement Contains a Lease ²
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ²
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment ³
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2006.

³ Effective for annual periods beginning on or after 1 December 2005.

⁴ Effective for annual periods beginning on or after 1 March 2006.

4. In the year ended 31 December 2006, the CFSG Group has also applied, for the first time, a number of new HKFRSs, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁵
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁶
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC) – INT 12	Service concession arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 March 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

⁵ Effective for annual periods beginning on or after 1 June 2006.

⁶ Effective for annual periods beginning on or after 1 November 2006.

⁷ Effective for annual periods beginning on or after 1 March 2007.

⁸ Effective for annual periods beginning on or after 1 January 2008.

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2006

The following is the audited financial statements of the CFSG Group for the year ended 31 December 2006 as extracted from the annual report 2006 of CFSG.

Consolidated Income Statement

For the year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue	6	383,228	213,557
Other operating income		2,397	2,721
Salaries, commission and related benefits	8	(163,465)	(108,303)
Depreciation and amortisation		(12,304)	(10,606)
Finance costs	9	(49,027)	(14,568)
Other operating and administrative expenses		(124,966)	(56,316)
(Allowance for) Reversal of allowance for bad and doubtful debts		(180)	702
(Loss) Gain on disposal of property and equipment		(98)	43
Net increase (decrease) in fair value of listed investments held for trading		10,261	(3,298)
Convertible loan note settlement income (expense)		291	(85)
Profit before taxation	12	46,137	23,847
Taxation (charge) credit	13	(5,939)	3,440
Profit for the year		40,198	27,287
Attributable to:			
Equity holders of CFSG		39,944	26,626
Minority interests		254	661
		<u>40,198</u>	<u>27,287</u>
Dividend:			
Proposed final dividend of HK\$0.02 per share based on 1,382,051,448 shares (2005: nil)		<u>27,641</u>	<u>–</u>
Dividends recognised as distribution during the year			
– 2006 interim – HK\$0.03 per share (2005: nil)		41,462	–
– 2005 final – nil (2004: HK\$0.01 per share)		–	7,546
		<u>41,462</u>	<u>7,546</u>
Earnings per share	14		
– Basic		<u>2.9 HK cents</u>	<u>3.2 HK cents</u>
– Diluted		<u>2.9 HK cents</u>	<u>3.0 HK cents</u>

Consolidated Balance Sheet*At 31 December 2006*

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property and equipment	<i>15</i>	45,720	12,218
Investment property	<i>16</i>	5,000	–
Goodwill	<i>17</i>	114,878	4,933
Intangible assets	<i>18</i>	32,042	11,062
Other assets	<i>20</i>	16,241	7,564
Loan receivables	<i>21</i>	103	122
Deposits for acquisition of subsidiaries	<i>22</i>	–	56,095
Interests in associates	<i>23</i>	–	–
Deferred tax assets	<i>13</i>	2,346	3,940
		<u>216,330</u>	<u>95,934</u>
Current assets			
Inventories	<i>24</i>	674	–
Account receivables	<i>26</i>	781,721	469,528
Loan receivables	<i>21</i>	19,227	38,426
Prepayments, deposits and other receivables		23,764	16,074
Amounts due from associates	<i>25</i>	373	–
Amounts due from fellow subsidiaries	<i>25</i>	3,463	972
Listed investments held for trading	<i>27</i>	54,317	42,472
Derivative financial instrument	<i>28</i>	–	16
Bank deposits under conditions	<i>29</i>	27,813	17,125
Bank balances – trust and segregated accounts	<i>25</i>	574,577	352,902
Bank balances (general accounts) and cash	<i>25</i>	73,226	117,516
		<u>1,559,155</u>	<u>1,055,031</u>

APPENDIX II
FINANCIAL INFORMATION ON THE CFSG GROUP

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current liabilities			
Account payables	<i>30</i>	931,865	555,565
Deferred revenue		8,027	–
Accrued liabilities and other payables		64,860	33,939
Taxation payable		4,428	1,084
Obligations under finance leases			
– amount due within one year	<i>31</i>	215	150
Bank borrowings – amount due within one year	<i>32</i>	278,521	171,737
Convertible loan note – amount due within one year	<i>34</i>	–	30,242
		<u>1,287,916</u>	<u>792,717</u>
Net current assets		<u>271,239</u>	<u>262,314</u>
		<u>487,569</u>	<u>358,248</u>
Capital and reserves			
Share capital	<i>33</i>	138,205	104,488
Reserves		341,626	252,130
Equity attributable to equity holders of CFSG		479,831	356,618
Minority interests		3,761	1,471
Total equity		<u>483,592</u>	<u>358,089</u>
Non-current liabilities			
Deferred tax liabilities	<i>13</i>	2,615	–
Bank borrowings – amount due after one year	<i>32</i>	1,247	–
Obligations under finance leases			
– amount due after one year	<i>31</i>	115	159
		<u>3,977</u>	<u>159</u>
		<u>487,569</u>	<u>358,248</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of CFSG									
	Share capital	Share premium	Contributed surplus	Convertible loan note equity reserve	Share-based payment reserve	Translation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	75,456	61,956	186,377	771	680	-	(85,736)	239,504	810	240,314
Profit for the year, representing total recognised income for the year	-	-	-	-	-	-	26,626	26,626	661	27,287
Recognition of employee share option benefits	-	-	-	-	203	-	-	203	-	203
Arising from partial repayment of convertible loan note (Note a(i))	-	-	-	(190)	-	-	151	(39)	-	(39)
2004 final dividend paid	-	-	-	-	-	-	(7,546)	(7,546)	-	(7,546)
Issue of new shares (Note b)	29,032	69,138	-	-	-	-	-	98,170	-	98,170
Transaction costs attributable to issue of new shares	-	(300)	-	-	-	-	-	(300)	-	(300)
Amount transferred to set off accumulated losses (Note c(i))	-	-	(12,827)	-	-	-	12,827	-	-	-
At 31 December 2005 and 1 January 2006	104,488	130,794	173,550	581	883	-	(53,678)	356,618	1,471	358,089
Exchange difference arising from translation of foreign operations, representing net expense recognised directly in equity	-	-	-	-	-	(288)	-	(288)	-	(288)
Profit for the year	-	-	-	-	-	-	39,944	39,944	254	40,198
Total recognised income and expense for the year	-	-	-	-	-	(288)	39,944	39,656	254	39,910
Recognition of employee share option benefits	-	-	-	-	1,613	-	-	1,613	-	1,613
Arising from conversion of convertible loan note (Note d(ii))	6,000	10,200	-	(308)	-	-	173	16,065	-	16,065
Arising from early repayment of convertible loan note (Note a(ii))	-	-	-	(273)	-	-	(79)	(352)	-	(352)
Issue of new shares (Notes d(i), (iii) and (iv))	27,717	82,976	-	-	-	-	-	110,693	-	110,693
2006 interim dividend paid	-	-	-	-	-	-	(41,462)	(41,462)	-	(41,462)
Transaction costs attributable to issue of new shares	-	(3,000)	-	-	-	-	-	(3,000)	-	(3,000)
Arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	2,389	2,389
Dividend paid to minority interests	-	-	-	-	-	-	-	-	(353)	(353)
Amount transferred to set off accumulated losses (note c(ii))	-	-	(45,000)	-	-	-	45,000	-	-	-
At 31 December 2006	138,205	220,970	128,550	-	2,496	(288)	(10,102)	479,831	3,761	483,592

Notes:

- (a) (i) During the year ended 31 December 2005, the CFSG Group has made partial repayment of the convertible loan note issued on 1 September 2004 amounting to HK\$10,000,000. The consideration of HK\$10,000,000 was allocated into liability component and equity component. An equity component of approximately HK\$190,000 was released from the convertible loan note equity reserve.
- (ii) During the year ended 31 December 2006, the CFSG Group has made full repayment of the convertible loan note issued on 1 September 2004 that remained outstanding in June 2006 amounting to HK\$8,000,000 and HK\$6,300,000 on 1 June 2006 and 28 June 2006 respectively. The consideration of HK\$14,300,000 was allocated into liability component and equity component. An equity component of approximately HK\$273,000 was released from the convertible loan note equity reserve.
- (b) (i) On 15 September 2005, 132,000,000 shares of HK\$0.10 each of CFSG were issued by way of subscription at a subscription price of HK\$0.27 each pursuant to a subscription agreement dated 16 August 2004. The gross proceeds of HK\$35,640,000 were raised for strengthening the funding support and capital base of CFSG.
- (ii) In September 2005, 650,000 share options and 12,675,000 share options of CFSG were exercised at an exercise price of HK\$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK\$0.10 each on 16 September 2005 and 26 September 2005 respectively. The proceeds before expenses were HK\$4,530,500.
- (iii) On 5 October 2005, 145,000,000 top up shares of HK\$0.10 each of CFSG were issued to CIGL, the controlling shareholder, at the price of HK\$0.40 each pursuant to the top up agreement dated 22 September 2005. The gross proceeds of HK\$58,000,000 were raised for settlement of part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006.
- (c) (i) Pursuant to a minutes of a meeting of CFSG Board held on 30 May 2005, an amount of HK\$12,827,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG at 31 December 2004 of HK\$5,282,000 and the payment for final dividend of 2004 of HK\$7,546,000.
- (ii) Pursuant to a minutes of a meeting of CFSG Board held on 6 November 2006, an amount of HK\$45,000,000 was transferred from the contributed surplus account to set off against the accumulated losses of CFSG for payment of 2006 interim dividend of HK\$41,462,000.

- (d) (i) On 10 January 2006, 155,000,000 placing shares of HK\$0.10 each of CFSG were issued at a placing price of HK\$0.40 each to independent third parties. On the same date, 120,000,000 subscription shares of HK\$0.10 each of CFSG were issued to CIGL at a price of HK\$0.40 each. The gross proceeds of the two transactions of HK\$62,000,000 and HK\$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 36(a)(i). These shares rank pari passu in all respects with other shares in issue.
- (ii) On 18 January 2006, convertible loan note of CFSG amounting to HK\$16,200,000 was converted into 60,000,000 CFSG Shares at a conversion price of HK\$0.27 each.
- (iii) In January 2006, 520,000 share options and 650,000 share options respectively were exercised at an exercise price of HK\$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK\$0.10 each of CFSG on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK\$397,800. These shares rank pari passu in all respects with other shares in issue.
- (iv) In November 2006, 1,000,000 share options were exercised at an exercise price of HK\$0.296 each, resulting in the issue of 1,000,000 shares of HK\$0.10 each of CFSG on 14 November 2006 for a total consideration (before expenses) of HK\$296,000.
- (e) The contributed surplus of the CFSG Group represents the difference between the nominal amount of the shares issued by CFSG and the aggregate of the nominal amount of the issued share capital and the reserves of CASH on-line Limited, the then holding company of the CFSG Group prior to the group reorganisation, pursuant to the group reorganisation after deducting the expenses in connection with the listing of CFSG 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.

Consolidated Cash Flow Statement*For the year ended 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Operating activities			
Profit before taxation		46,137	23,847
Adjustments for:			
Convertible loan note settlement (income) expense		(291)	85
Advertising and telecommunication services expenses	35	4,933	–
Allowance for (Reversal of allowance for)			
bad and doubtful debts		180	(702)
Amortisation of intangible assets		4,131	–
Depreciation of property and equipment		8,173	10,606
Interest expenses		49,027	14,568
Employee share option benefits		1,613	203
Loss (Gain) on disposal of property and equipment		98	(43)
Net decrease (increase) in fair value of derivative financial instrument		16	(16)
		<hr/>	<hr/>
Operating cash inflows before movements			
in working capital		114,017	48,548
Decrease in loan receivables		19,016	701
Increase in account receivables		(306,408)	(106,533)
Increase in inventories		(349)	–
Increase in prepayments, deposits and other receivables		(2,563)	(3,296)
Increase in amount due from associates		(373)	–
(Increase) Decrease in amounts due from fellow subsidiaries		(2,491)	1,076
(Increase) Decrease in listed investments held for trading		(11,845)	4,560
(Increase) Decrease in bank balances			
– trust and segregated accounts		(221,675)	80,254
Increase (Decrease) in account payables		364,024	(61,341)
Increase in deferred income		8,027	–
Increase (Decrease) increase in accrued liabilities and other payables		4,053	(380)
		<hr/>	<hr/>
Cash used in operation		(36,567)	(36,411)
Income taxes paid		(845)	–
		<hr/>	<hr/>
Net cash used in operating activities		<u>(37,412)</u>	<u>(36,411)</u>

APPENDIX II
FINANCIAL INFORMATION ON THE CFSG GROUP

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Investing activities			
Deposit payment for acquisition of online game business		–	(56,095)
Acquisitions of business	<i>36(a)</i>	(64,407)	–
Acquisition of assets and liabilities	<i>36(b)</i>	(736)	–
Increase in bank deposits under conditions		(10,688)	(343)
Statutory and other deposits paid		(8,677)	(947)
Purchase of intangible assets		(171)	–
Purchases of property and equipment		(20,306)	(1,650)
Proceeds on disposal of property and equipment		5	60
		<u>(104,980)</u>	<u>(58,975)</u>
Financing activities			
Increase in bank overdrafts		59,610	11,582
Increase in bank loans		48,421	64,000
Repayment of loan		(12,105)	–
Proceeds on issue of shares		110,693	98,170
Share issue expenses		(3,000)	(300)
Dividend paid		(41,462)	(7,546)
Dividend paid to minority interests		(353)	–
Interest paid on bank borrowings		(48,739)	(13,202)
Interest paid on obligations under finance leases		(14)	(15)
Interest paid on convertible loan note		(212)	(1,067)
Repayment of obligations under finance leases		(149)	(220)
Repayment of convertible loan note		(14,300)	(10,000)
		<u>98,390</u>	<u>141,402</u>
Net cash from financing activities		<u>98,390</u>	<u>141,402</u>
Net (decrease) increase in cash and cash equivalents		(44,002)	46,016
Cash and cash equivalents at beginning of year		117,516	71,500
Effect of foreign exchange rate changes		(288)	–
		<u>73,226</u>	<u>117,516</u>
Cash and cash equivalents at end of year		<u>73,226</u>	<u>117,516</u>
Bank balances (general accounts) and cash		<u>73,226</u>	<u>117,516</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. General

CFSG is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) 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 consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of CFSG.

CFSG is an investment holding company. The principal activities of its principal subsidiaries are set out in note 44.

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the CFSG Group has applied, for the first time, a number of new standard, amendments and interpretations (“New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – INT 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁵
HK(IFRIC) – INT 10	Interim financial reporting and impairment ⁶
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions ⁷
HK(IFRIC) – INT 12	Service concession arrangements ⁸

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 March 2006.

⁴ Effective for annual periods beginning on or after 1 May 2006.

⁵ Effective for annual periods beginning on or after 1 June 2006.

⁶ Effective for annual periods beginning on or after 1 November 2006.

⁷ Effective for annual periods beginning on or after 1 March 2007.

⁸ Effective for annual periods beginning on or after 1 January 2008.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of CFSG and its subsidiaries. Control is achieved where CFSG has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the CFSG Group.

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the CFSG Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the CFSG Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the CFSG Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with HKFRS 5 Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the CFSG Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the CFSG Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of subsidiaries for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the CFSG Group's interest in the fair values of the identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition.

For previously capitalised goodwill, the CFSG Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on acquisition of subsidiaries for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the CFSG Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the CFSG Group's share of the net assets of the associates, less any identified impairment loss. When the CFSG Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the CFSG Group's net investments in the associates), the CFSG Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the CFSG Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the CFSG Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the CFSG Group, profits and losses are eliminated to the extent of the CFSG Group's interest in the relevant associate.

Income recognition

Revenue arising from financial services are recognised on the following basis:

- Trading investments such as securities, futures and options are accounted for under HKAS 39 as financial assets held for trading and the net increase or decrease in fair value are accounted for on a trade date basis and recognised directly in net profit or loss;
- Commission income for broking business is recorded as income on a trade date basis;
- Underwriting commission income, sub-underwriting income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underlying agreement or deal mandate when relevant significant act has been completed;
- Advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered; and
- Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Online game income is recognised when the in-game premium features is consumed or points for in-game premium features is expired. Payments received from the sales of points for in-game premium features, that have not been consumed, are recorded as deferred revenue.

Sales of online game auxiliary products are recognised when products are delivered and title has passed.

Licensing fee income is recognised on a straight-line basis over the licensing period.

Other interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

Assets 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.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment property

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property. On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

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.

The CFSG Group as lessee

Assets held under finance leases are recognised as assets of the CFSG Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the CFSG Group's foreign operations are translated into the presentation currency of the CFSG Group at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Retirement benefits costs

Payments to defined contribution retirement benefits plans/state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

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 profit as reported in the consolidated 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 CFSG 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 consolidated financial statements and the corresponding tax base 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the CFSG Group is able to control the reversal of the temporary difference and it is probable that the temporary difference 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 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 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.

*Intangible assets**Intangible assets acquired separately*

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair values at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Research and development expenditures

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, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. 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. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The CFSG Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent listed investments held for trading. At each balance sheet date subsequent to initial recognition, listed investment held for a trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including account receivables, loan receivables, deposits and other receivables and amounts due from associates and fellow subsidiaries) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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 CFSG Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Other financial liabilities (including account payables, other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest rate method.

Convertible loan note

Convertible loan note issued by CFSG that contain early redemption option, financial liability and equity components are classified separately into respective early redemption option derivative, liability and equity components on initial recognition. On initial recognition, the early redemption option derivative, liability component are recognised at fair value. The carrying amount of the equity component is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Issue costs are apportioned between the components of the convertible loan note based on their relative fair value at the date of issue. The issue costs relating to the equity component are charged directly to equity. The issue costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan note using the effective interest method. The portion relating to the derivative is charged directly to profit or loss.

In subsequent periods, the embedded derivative component is carried at fair value, with changes in fair value being recognised in profit or loss directly. The liability component of the convertible loan note is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of CFSG, will remain in convertible loan note equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan note equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Equity instruments

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the CFSG Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Provisions

Provisions are recognised when the CFSG Group has a present obligation as a result of a past event, and it is probable that the CFSG Group will be required to settle that obligation. Provisions are measured at the CFSG Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Equity-settled share-based payment transactions (Share options granted to employees of CFSG)

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At each balance sheet date, the CFSG Group revises its estimates of the number of options that are expected to ultimately vest. The effect of change in estimates, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated losses.

Impairment losses (other than goodwill and intangible assets with indefinite useful lives)

At each balance sheet date, the CFSG 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. An 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, 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Key sources of estimation uncertainty

In the process of applying the CFSG Group's accounting policies, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognised in the financial information are disclosed below.

Income taxes

As at 31 December 2006, a deferred tax asset of approximately HK\$2,346,000 in relation to unused tax losses has been recognised in the CFSG Group's consolidated balance sheet. No deferred tax asset was recognised in the CFSG Group's consolidated balance sheet in relation to the remaining unused tax losses of approximately HK\$294,808,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future profits generated are more than expected, further recognition of deferred tax asset in relation to unutilised tax losses may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

Reversal of allowance of bad and doubtful debts

The policy for reversal of allowance of bad and doubtful debts of the CFSG Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each client. If the financial conditions of client of the CFSG Group were improved and no impairment of their ability to make payments were noted, reversal of allowances may be required.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the CFSG Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of goodwill is approximately HK\$114,878,000. Details of the recoverable amount calculation are disclosed in note 19.

Determining whether intangible asset relating to online game related intellectual property is impaired requires an estimation of the value in use of the online game related intellectual property. The value in use calculation requires the CFSG Group to estimate the future cash flows expected to arise from the online game related intellectual property and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. As at 31 December 2006, the carrying amount of online game development cost is approximately HK\$12,292,000. Details of the recoverable amount calculation are disclosed in note 18.

Determining whether intangible asset relating to domain name is impaired requires an estimation of the fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. As at 31 December 2006, the carrying amount of the domain name is approximately HK\$5,460,000. Details of the recoverable amount calculation are disclosed in note 18.

5. Financial instruments*Financial risk management objectives and policies*

The CFSG Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, bank borrowings, account receivables and account payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The CFSG Group is exposed to equity price risk through its investments in equity securities. The CFSG Board manages the exposure by closely monitoring the portfolio of equity investments.

Cash flow interest rate risk

Most of the bank borrowings, that are matured within 3 months and are collateralised by margin clients' securities, carry interest at variable rate which exposes the CFSG Group to cash flow interest rate risk. The CFSG Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arises.

Credit risk

The CFSG Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the CFSG Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the CFSG Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the CFSG Directors consider that the CFSG Group's credit risk is significantly reduced.

The CFSG Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Bank balances are placed in various authorised institutions and the CFSG Directors consider the credit risk of such authorised institutions is low.

Liquidity risk

As part of ordinary broking activities, the CFSG Group is exposed to liquidity risk arising from timing difference between settlement with Clearing House or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, the fair value of a non-option derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the Black-Scholes pricing model).

The CFSG Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. Revenue

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees and commission income	263,032	178,719
Interest income	82,945	34,838
Online game subscription income	25,316	–
Sales of online game auxiliary products	9,459	–
Licensing income	2,476	–
	<u>383,228</u>	<u>213,557</u>

7. Business and geographical segments*Business segments*

For management purposes, the CFSG Group is currently organised into four main operating divisions, namely, broking, financing, corporate finance and online game services. The online game services division arose from acquisition of online game business on 10 January 2006 as mentioned in note 36(a). These divisions are the basis on which the CFSG 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
Financing	–	Provision of margin financing and money lending services
Corporate finance	–	Provision of corporate finance services
Online game services	–	Provision of online games services, sales of online game auxiliary products and licensing services

The CFSG Group's operation by business segment is as follows:

Income statement for the year ended 31 December 2006

	Broking	Financing	Corporate finance	Online game services	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>247,547</u>	<u>85,054</u>	<u>13,376</u>	<u>37,251</u>	<u>383,228</u>
RESULT					
Segment profit (loss)	<u>64,917</u>	<u>15,277</u>	<u>2,219</u>	<u>(27,527)</u>	54,886
Other operating income					2,397
Unallocated corporate expenses					<u>(11,146)</u>
Profit before taxation					46,137
Taxation charge					<u>(5,939)</u>
Profit for the year					<u>40,198</u>

APPENDIX II
FINANCIAL INFORMATION ON THE CFSG GROUP
Balance sheet as at 31 December 2006

	Broking	Financing	Corporate	Online	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>finance</i>	<i>game</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>services</i>	
				<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS					
Segment assets	<u>984,705</u>	<u>540,658</u>	<u>12,542</u>	<u>182,249</u>	1,720,154
Unallocated corporate assets					<u>55,331</u>
Consolidated total assets					<u>1,775,485</u>
LIABILITIES					
Segment liabilities	<u>846,541</u>	<u>383,479</u>	<u>358</u>	<u>38,932</u>	1,269,310
Unallocated corporate liabilities					<u>22,583</u>
Consolidated total liabilities					<u>1,291,893</u>

Other information for the year ended 31 December 2006

	Broking	Financing	Corporate	Online game	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>finance</i>	<i>services</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>		
				<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions of property and equipment	–	–	–	10,890	9,416	20,306
Allowance for bad and doubtful debts	53	27	100	–	–	180
Depreciation of property and equipment	125	–	1	1,117	6,930	8,173
Loss on disposal of property and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>98</u>	<u>–</u>	<u>98</u>

Income statement for the year ended 31 December 2005

	Broking	Financing	Corporate finance	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<u>171,628</u>	<u>34,838</u>	<u>7,091</u>	<u>213,557</u>
RESULT				
Segment profit (loss)	<u>29,847</u>	<u>7,281</u>	<u>(5,337)</u>	31,791
Other operating income				2,721
Unallocated corporate expenses				<u>(10,665)</u>
Profit before taxation				23,847
Taxation credit				<u>3,440</u>
Profit for the year				<u>27,287</u>

Balance sheet as at 31 December 2005

	Broking	Financing	Corporate finance	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Segment assets	<u>624,276</u>	<u>404,049</u>	<u>16,601</u>	1,044,926
Unallocated corporate assets				<u>106,039</u>
Consolidated total assets				<u>1,150,965</u>
LIABILITIES				
Segment liabilities	<u>478,417</u>	<u>248,885</u>	<u>3,337</u>	730,639
Unallocated corporate liabilities				<u>62,237</u>
Consolidated total liabilities				<u>792,876</u>

Other information for the year ended 31 December 2005

	Broking	Financing	Corporate finance	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions of property and equipment	–	–	–	2,116	2,116
(Reversal of allowance)					
Allowance for bad and doubtful debts	(104)	(898)	300	–	(702)
Depreciation of property and equipment	769	–	19	9,818	10,606
Gain on disposal of property and equipment	–	–	–	(43)	(43)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(43)</u>	<u>(43)</u>

Geographical segments

The CFSG Group's operations are located in Hong Kong, the PRC and Taiwan. For the activities of broking, financing and corporate finance, they are based in Hong Kong and the revenue of these activities for the year ended 31 December 2006 are derived from Hong Kong. The online game services are mainly based in PRC and Taiwan and the relevant revenue for the year ended 31 December 2006 are derived mainly from PRC and Taiwan.

The following table provides an analysis of the CFSG Group's revenue by geographical market:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	345,977	213,557
PRC	25,525	–
Taiwan	11,726	–
	<u>383,228</u>	<u>213,557</u>

The following is an analysis of the carrying amount of segment assets, and additions to property and equipment, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,537,905	1,044,926
PRC	143,023	–
Taiwan	39,226	–
	<u>1,720,154</u>	<u>1,044,926</u>

Additions to property and equipment

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	–	–
PRC	10,290	–
Taiwan	600	–
	<u>10,890</u>	<u>–</u>

8. Salaries, commission and related benefits

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and commission represent the amounts paid and payable to the CFSG Directors and employees and comprises of:		
Salaries, allowances and commission	158,417	106,050
Contributions to retirement benefits scheme	3,435	2,050
Employee share option benefits	1,613	203
	<u>163,465</u>	<u>108,303</u>

APPENDIX II
FINANCIAL INFORMATION ON THE CFSG GROUP
9. Finance costs

	2006 HK\$'000	2005 HK\$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	48,739	13,202
Finance leases	14	15
Effective interest expense on convertible loan note	274	1,351
	<u>49,027</u>	<u>14,568</u>

10. CFSG Directors' remuneration

The remuneration paid or payable to each of the eight (2005: nine) CFSG Directors were as follows:

	Kwan Pak Hoo Bankee HK\$'000	Law Ping Wah Bernard HK\$'000	Wong Kin Yick Kenneth HK\$'000	Cheng Man Pan Ben HK\$'000	Kwok Oi Kuen Joan Elmond HK\$'000	Cheng Shu Shing Raymond HK\$'000	Hui Ka Wah Ronnie HK\$'000	Lo Kwok Hung John HK\$'000	2006 Total HK\$'000
Fees:									
Executive CFSG Directors	-	-	-	-	-	-	-	-	-
Independent non-executive CFSG Directors	-	-	-	-	-	100	100	100	300
Other remuneration paid to executive CFSG Directors:									
Salaries, allowances and benefits in kind	120	600	1,290	734	-	-	-	-	2,744
Discretionary bonus	-	-	1,000	-	-	-	-	-	1,000
Employee share option benefits	90	90	90	90	-	15	15	15	405
Contributions to retirement benefits scheme	6	30	66	30	-	-	-	-	132
Total remuneration	<u>216</u>	<u>720</u>	<u>2,446</u>	<u>854</u>	<u>-</u>	<u>115</u>	<u>115</u>	<u>115</u>	<u>4,581</u>

	Kwan Pak Hoo Bankee HK\$'000	Law Ping Wah Bernard HK\$'000	Wong Kin Yick Kenneth HK\$'000	Cheng Man Pan Ben HK\$'000	Kwok Oi Kuen Joan Elmond HK\$'000	Cheng Shu Shing Raymond HK\$'000	Hui Ka Wah Ronnie HK\$'000	Lo Kwok Hung John HK\$'000	Wong Kwong Chi Simon HK\$'000	2005 Total HK\$'000
Fees:										
Executive CFSG Directors	-	-	-	-	-	-	-	-	-	-
Independent non-executive CFSG Directors	-	-	-	-	-	100	100	30	70	300
Other remuneration paid to executive CFSG Directors:										
Salaries, allowances and benefits in kind	120	600	1,160	640	-	-	-	-	-	2,520
Employee share option benefits	17	17	17	18	17	2	2	2	-	92
Contributions to retirement benefits scheme	6	30	58	27	-	-	-	-	-	121
Total remuneration	<u>143</u>	<u>647</u>	<u>1,235</u>	<u>685</u>	<u>17</u>	<u>102</u>	<u>102</u>	<u>32</u>	<u>70</u>	<u>3,033</u>

During the year ended 31 December 2006, Ms Kwok Oi Kuen Joan Elmond resigned as an executive CFSG Director.

During the year ended 31 December 2005, Mr Wong Kwong Chi Simon resigned as an independent non-executive CFSG Director and Mr Lo Kwok Hung John was appointed as an independent non-executive CFSG Director.

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

11. Employees' remuneration

Of the five individuals with the highest emoluments in the CFSG Group, one (2005: one) was CFSG Director whose emolument is included in the disclosures in note 10 above. The emoluments of the remaining four (2005: four) individuals were as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries, allowances and benefits in kind	3,400	5,487
Contributions to retirement benefits scheme	180	146
Performance related incentive payments	4,747	102
Discretionary bonus	260	-
Employee share option benefits	75	12
	<u>8,662</u>	<u>5,747</u>

Their remuneration were within the following bands:

	2006	2005
	<i>Number of employees</i>	<i>Number of employees</i>
HK\$1,000,001 to HK\$1,500,000	1	3
HK\$1,500,001 to HK\$2,000,000	2	1
HK\$3,500,001 to HK\$4,000,000	1	–
	<u>1</u>	<u>–</u>

12. Profit before taxation

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	1,800	1,550
Amortisation of intangible assets (included in depreciation and amortisation)	4,131	–
Depreciation of property and equipment		
Owned assets	8,077	10,471
Leased assets	96	135
	8,173	10,606
Advertising and promotion expenses	24,967	6,134
Operating lease rentals in respect of land and buildings	13,099	9,415
Loss (Gain) on disposal of property and equipment	98	(43)
Net foreign exchange (gain) loss	(131)	645
Unrealised gain on derivative financial instrument	–	(16)
Dividends from investments	(471)	(143)
	<u>(471)</u>	<u>(143)</u>

13. Taxation charge (credit)

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
– Hong Kong	4,140	500
– PRC	143	–
Overprovision in prior years	(94)	–
Deferred taxation	1,750	(3,940)
	<u>1,750</u>	<u>(3,940)</u>
	<u>5,939</u>	<u>(3,440)</u>

APPENDIX II

FINANCIAL INFORMATION ON THE CFSG GROUP

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

Certain subsidiaries of the CFSG Group are operating in PRC. They are subject to tax with rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone).

No provision for taxation has been made for subsidiary located in Taiwan as no assessable profit is arisen during the year.

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit before taxation	<u>46,137</u>	<u>23,847</u>
Taxation at income tax rate of 17.5%	8,074	4,173
Overprovision in respect of prior years	(94)	–
Tax effect of expenses not deductible for tax purpose	3,319	1,499
Tax effect of income not taxable for tax purpose	(3,008)	(936)
Utilisation of estimated tax losses previously not recognised	(5,708)	(5,492)
Tax effect of estimated tax losses not recognised	2,685	1,207
Tax effect of estimated tax losses in previous years now recognised	–	(3,940)
Effect of different tax rates of subsidiaries operating in other jurisdictions	587	–
Other difference	<u>84</u>	<u>49</u>
Taxation charge (credit) for the year	<u>5,939</u>	<u>(3,440)</u>

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

	Accelerated tax depreciation <i>HK\$'000</i>	Estimated tax losses <i>HK\$'000</i>	Intangible asset <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2005	(1,945)	1,945	–	–
Credit to consolidated income statement	<u>1,169</u>	<u>2,771</u>	<u>–</u>	<u>3,940</u>
At 31 December 2005 and 1 January 2006	(776)	4,716	–	3,940
Deferred tax liability on intangible assets arising from acquisition of subsidiaries (note 36(a)(i))	–	–	(2,459)	(2,459)
Credit (Charge) to consolidated income statement	<u>5</u>	<u>(2,370)</u>	<u>615</u>	<u>(1,750)</u>
At 31 December 2006	<u>(771)</u>	<u>2,346</u>	<u>(1,844)</u>	<u>(269)</u>

For the purpose of balance sheet presentation, deferred tax assets and liabilities of approximately HK\$771,000 (2005: HK\$776,000) have been offset. Same amount of movement amounting to HK\$5,000 (2005: HK\$1,169,000) have been credited and charged to the current year consolidated income statement for accelerated tax depreciation and estimated tax losses respectively. HK\$2,365,000 (2005: HK\$3,940,000) estimated tax losses have been debited (2005: credited) to the consolidated income statement for recognising the utilisation of deferred tax assets.

At the balance sheet date, the CFSG Group had unused estimated tax losses of HK\$308,213,000 (2005: HK\$325,487,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$13,405,000 (2005: HK\$26,949,000) of such losses. No deferred tax asset has been recognised in respect of remaining HK\$294,808,000 (2005: HK\$298,538,000) due to the unpredictability of future profit streams.

14. Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of CFSG for the year ended 31 December 2006 together with the comparative figures for 2005 are based on the following data:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit		
Profit for the purpose of basic earnings per share	39,944	26,626
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	274	1,351
	<u> </u>	<u> </u>
Profit for the purpose of diluted earnings per share	<u>40,218</u>	<u>27,977</u>
	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,371,527,475	832,131,859
Effect of dilutive potential ordinary shares assumed exercise of share options	4,107,008	N/A
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	21,765,601	112,962,963
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,397,400,084</u>	<u>945,094,822</u>

The computation of diluted earnings per share does not assume the exercise of certain of outstanding CFSG Options as the exercise prices of those options were higher than the average market price for shares for the relevant period.

15. Property and equipment

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 January 2005	34,291	21,607	25,684	1,723	83,305
Additions	197	136	1,317	466	2,116
Disposals	–	(8)	–	(350)	(358)
At 31 December 2005	34,488	21,735	27,001	1,839	85,063
Additions	7,526	133	12,647	–	20,306
Arising on acquisition of subsidiaries <i>(see note 36)</i>	8,561	79	12,662	170	21,472
Disposals/written off	(154)	(507)	(5,437)	–	(6,098)
At 31 December 2006	50,421	21,440	46,873	2,009	120,743
ACCUMULATED DEPRECIATION					
At 1 January 2005	21,306	17,713	22,042	1,519	62,580
Provided for the year	5,548	3,030	1,834	194	10,606
Eliminated on disposals	–	(8)	–	(333)	(341)
At 31 December 2005	26,854	20,735	23,876	1,380	72,845
Provided for the year	4,841	572	2,594	166	8,173
Eliminated on disposals/ written off	(56)	(507)	(5,432)	–	(5,995)
At 31 December 2006	31,639	20,800	21,038	1,546	75,023
CARRYING VALUES					
At 31 December 2006	<u>18,782</u>	<u>640</u>	<u>25,835</u>	<u>463</u>	<u>45,720</u>
At 31 December 2005	<u>7,634</u>	<u>1,000</u>	<u>3,125</u>	<u>459</u>	<u>12,218</u>

The above property and equipment are depreciated on a straight-line basis 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 carrying values of property and equipment included fully depreciated property and equipment with cost amounting to HK\$48,771,000 (2005: HK\$49,981,000).

The carrying values of motor vehicles included amounts of HK\$463,000 (2005: HK\$389,000) in respect of assets held under finance leases.

16. Investment property

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2005 and 31 December 2005	–
Acquired on an acquisition of a subsidiary (<i>see note 36(b)</i>)	5,000
	<hr/>
At 31 December 2006	5,000
	<hr/> <hr/>

All of the CFSG Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The fair value of the CFSG Group's investment property at 31 December 2006 has been arrived at on the basis of a valuation carried out at that date by Knight Frank Hong Kong Limited, independent qualified professional valuer not connected with the CFSG Group. Knight Frank Hong Kong Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment property shown above comprises land in Hong Kong with medium-term lease.

17. Goodwill

	<i>HK\$'000</i>
COST	
At 1 January 2005 and at 31 December 2005	4,933
Arising on acquisitions of subsidiaries (<i>see note 36(a)</i>)	109,945
	<hr/>
At 31 December 2006	114,878
	<hr/> <hr/>

Particulars regarding impairment testing on goodwill are disclosed in note 19.

18. Intangible assets

	Trading rights HK\$'000	Club membership HK\$'000	Online game related intellectual property HK\$'000	Domain name HK\$'000	Total HK\$'000
COST					
At 1 January 2005	15,039	–	–	–	15,039
Reclassified from other assets	–	1,970	–	–	1,970
Elimination of accumulated amortisation upon the application of HKAS 38	(5,947)	–	–	–	(5,947)
At 31 December 2005	9,092	1,970	–	–	11,062
Arising on acquisitions of subsidiaries (<i>see note 36</i>)	–	3,090	16,390	5,460	24,940
Additions	–	–	171	–	171
At 31 December 2006	9,092	5,060	16,561	5,460	36,173
AMORTISATION					
At 1 January 2005	5,947	–	–	–	5,947
Elimination of accumulated amortisation upon the application of HKAS 38	(5,947)	–	–	–	(5,947)
At 31 December 2005	–	–	–	–	–
Charge for the year	–	–	4,131	–	4,131
At 31 December 2006	–	–	4,131	–	4,131
CARRYING VALUES					
At 31 December 2006	9,092	5,060	12,430	5,460	32,042
At 31 December 2005	9,092	1,970	–	–	11,062

Intangible assets amounting to HK\$9,092,000 represent trading rights in the exchanges in Hong Kong. Until 31 December 2004, the trading rights had been amortised on a straight-line basis over 10 years. In accordance with the transitional provisions in HKAS 38, the CFSG Group reassessed the useful lives of the trading rights on 1 January 2005 and concluded that the trading rights have indefinite useful lives and discontinued amortising the trading rights from 1 January 2005 onwards. Particulars regarding impairment testing on the trading rights are disclosed in note 19.

Intangible assets amounting to HK\$5,060,000 represent club memberships. Until 31 December 2004, the club memberships were classified as other assets. On 1 January 2005, in the opinion of the CFSG Directors, club memberships were reclassified to intangible assets with indefinite useful life.

For the purpose of impairment testing on club memberships, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is the second-hand market price less costs of disposal. During the year ended 31 December 2006, management of the CFSG Group determines that there is no impairment of the club membership since the recoverable amount of the club memberships exceeds its carrying amount.

Intangible assets of online game related intellectual property with carrying value of HK\$138,000 represent internally generated online game development cost. This intangible asset has definite useful life and is amortised on a straight-line basis over three years.

Intangible assets of online game related intellectual property amounting to HK\$12,292,000 represent online game development cost and licensing fee, website development cost and software technology copyrights arising from acquisition of online game business in PRC as mentioned in note 36(a)(i). These intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over four years.

For the purpose of impairment testing on online game related intellectual property, the recoverable amount has been determined based on a value in use calculation that calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the past performance and management's expectations for the market development. The value in use at 31 December 2006 has been supported by valuation carried out at that day by B. I. Appraisals Limited, an independent qualified professional valuer not connected with the CFSG Group. Based on the valuation report, there is no impairment of online game related intellectual property since the recoverable amount exceeds its carrying value.

Intangible assets amounting to HK\$5,460,000 represent domain name. It is purchased from acquisitions of subsidiaries as disclosed in note 36(a)(ii). It represents the legal and beneficial ownership of domain name "www.shanghai.com" and has indefinite useful life.

The domain name is considered by the management of the CFSG Group as having an indefinite useful life because it is expected to be used indefinitely. The domain name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing on domain name, the recoverable amount has been determined based on fair value less costs to sell. The fair value less costs to sell is arrived at by market approach, which is to determine the desirability of the domain name through recent sales or offering of similar domain name currently on the market in order to arrive at an indication of the most probable selling price for the domain name. The fair value less costs to sell at 31 December 2006 has been supported by valuation carried out at that day by B.I. Appraisals Limited, an independent qualified professional valuer not connected with the CFSG Group. Based on the valuation report, there is no impairment of domain name since the recoverable amount of the domain name exceeds its carrying value.

19. Impairment testing on goodwill and trading rights

As explained in note 7, the CFSG Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trading rights set out in notes 17 and 18 respectively have been allocated to three individual cash generating units (“CGUs”) respectively, including two subsidiaries in broking, one subsidiary in corporate finance and the newly acquired online game business. The carrying amounts of goodwill and trading rights as at 31 December 2006 allocated to these units are as follows:

	Goodwill <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>
Broking – Broking of securities	–	9,092
Broking – Mutual funds and insurance-linked investment products	2,272	–
Corporate finance	2,661	–
Online game services	109,945	–
	<u>114,878</u>	<u>9,092</u>

During the year ended 31 December 2006, management of the CFSG Group determines that there are no impairments of any of its CGUs containing goodwill or trading rights.

The recoverable amounts of the CGUs of broking and corporate finance have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 1-year period, and discount rate of 7.75%. A key assumption for the value in use calculations is the budgeted growth rate, which is determined based on past performance and management’s expectations for the market development. Management believes that any reasonably possible change in any of the assumption would not cause the aggregate carrying amount of the above CGUs to exceed the aggregate recoverable amount of the above CGUs.

The recoverable amount of the CGU of online game services has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period, and discount rate of 15%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted active concurrence user, peak concurrence user and payment subscribers, such estimation is based on the CGU’s past performance and management’s expectations for the market development. There is no impairment of goodwill since the recoverable amount of the above CGU exceeds its carrying value.

20. Other assets

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Statutory and other deposits	<u>16,241</u>	<u>7,564</u>

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

21. LOAN RECEIVABLES

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Variable-rate loan receivables denominated in Hong Kong dollar	45,900	76,684
<i>Less:</i> Allowance for bad and doubtful debts	<u>(26,570)</u>	<u>(38,136)</u>
	<u>19,330</u>	<u>38,548</u>
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	19,227	38,426
Non-current assets (receivable after 12 months from the balance sheet date)	<u>103</u>	<u>122</u>
	<u>19,330</u>	<u>38,548</u>

Loan receivables with an aggregate carrying value of approximately HK\$4,968,000 (2005: HK\$25,756,000) are secured by pledged marketable securities.

The variable-rate loan receivables have contractual maturity dates as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within one year	19,227	38,426
In more than one year but not more than two years	23	23
In more than two years but not more than three years	25	25
In more than three years but not more than four years	27	26
In more than four years but not more than five years	28	28
In more than five years	<u>–</u>	<u>20</u>
	<u>19,330</u>	<u>38,548</u>

The effective interest rates (which are equal to contractual interest rate) on the CFSG Group's loan receivables are Prime rate plus a spread. Interest rate term is fixed at the time when entering into loan agreement.

22. Deposits for acquisition of subsidiaries

Pursuant to the circular of CFSG dated 30 November 2005 (“Circular”), the CFSG Group underwent several fund raising transactions and a major acquisition transaction of Netfield Technology Limited and its subsidiaries (hereinafter collectively referred to as the “Netfield Group”).

Under the terms of acquisition, deposit of HK\$55,000,000 had been paid as well as related costs of approximately HK\$1,095,000 were incurred before 31 December 2005. This sum is presented as “Deposits for acquisition of subsidiaries” as at 31 December 2005.

The acquisition was completed on 10 January 2006.

23. Interests in associates

	2006 HK\$'000	2005 HK\$'000
Cost of investments in an associate:		
Unlisted	8	–
Share of post-acquisition loss	(8)	–
	<u> </u>	<u> </u>
	–	–
	<u> </u>	<u> </u>

As at 31 December 2006, the CFSG Group had interests in the following associates:

Name of entity	Form of business structure	Country of incorporation/ date of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the CFSG Group %	Proportion of voting power held %	Principal activity
RACCA Capital Inc	Incorporated	British Virgin Islands 24 April 2006	Hong Kong	Ordinary	33	33	Investment holding
RACCA Capital Limited	Incorporated	Hong Kong 17 May 2006	Hong Kong	Ordinary	33	33	Introducing agent

The summarised financial information in respect of the CFSG Group's associates is set out below:

	2006
	<i>HK\$</i>
Total assets	1,776,020
Total liabilities	(3,318,494)
Net liabilities	<u>(1,542,474)</u>
CFSG Group's share of net assets of associates	<u>–</u>
Revenue	<u>600,000</u>
Loss for the year	<u>1,542,498</u>
CFSG Group's share of loss of associates for the year	<u>8</u>

24. Inventories

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consumables:		
Online game auxiliary products (at cost)	<u>674</u>	<u>–</u>

25. Other financial assets and liabilities

Amounts due from associates/fellow subsidiaries

The amounts are non-interest bearing, unsecured and repayable on demand.

Bank balances – trust and segregated accounts

From the CFSG Group's ordinary business, it receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts. The CFSG Group has recognised the corresponding account payables to respective clients and other institutions. However, the CFSG Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the CFSG Group and short-term bank deposits bearing interest at market prevailing rates with maturity of three months or less.

26. Account receivables

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	125,450	29,894
Cash clients	112,334	94,958
Margin clients	443,524	270,707
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	83,847	70,662
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,479	2,275
Account receivables arising from the business of provision of corporate finance services	372	1,032
Account receivables arising from the business of provision of online game services	12,715	–
	<u>781,721</u>	<u>469,528</u>

Account receivables are netted off by allowance for bad and doubtful debts of HK\$20,086,000 (2005: HK\$27,872,000).

The settlement terms of account receivables arising from the business of dealing in securities and equity options are two days after trade date, and account receivables 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 account receivables 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 CFSG Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

APPENDIX II

FINANCIAL INFORMATION ON THE CFSG GROUP

Included in account receivables 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 controlling interest and is a CFSG Director. Details of the amount due from the entity are as follows:

Name of company	Balance at 31.12.2006 <i>HK\$'000</i>	Balance at 1.1.2006 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>
Cash Guardian Limited ("Cash Guardian")	–	11,569	12,720

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 receivables from brokerage of mutual funds and insurance-linked investment plans and products as well as account receivables arising from the business of provision of corporate finance services and online game services, the CFSG Group allows a credit period of 30 days. The aged analysis is as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	10,849	2,373
31-60 days	2,387	436
61-90 days	1,690	5
Over 90 days	1,640	493
	<u>16,566</u>	<u>3,307</u>

27. Listed investments held for trading

Listed investments held for trading include:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>54,317</u>	<u>42,472</u>

The fair values of the listed investments held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

28. Derivative financial instrument

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest rate swap	–	16

The above derivative financial instrument is held for trading purpose and is measured at fair value at each balance sheet date. Its fair value is determined based on the agreed interest rate with authorised institutions for equivalent instrument at the balance sheet date. It has already been matured on 25 August 2006.

29. Bank deposits under conditions

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Other bank deposits (<i>note (a)</i>)	16,685	16,207
Pledged bank deposits (<i>note (b)</i>)	11,128	918
	<u>27,813</u>	<u>17,125</u>

The bank deposits under conditions carry floating interest at prevailing market rate per annum. The effective interest rates on the CFSG Group's bank deposits under conditions are also equal to contracted interest rates.

Notes:

- (a) Pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group covenants to maintain deposits of not less than HK\$15,000,000 (2005: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank. The bank deposits will mature within one year or at an earlier date when the overdraft facility is withdrawn.
- (b) The CFSG Group's bank deposits of HK\$11,128,000 (2005: HK\$918,000) were pledged to secure the general banking facilities granted by banks. The bank deposits will mature when the banking facilities are withdrawn.

30. Account payables

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	679,498	347,961
Margin clients	106,132	77,148
Account payables to clients arising from the business of dealing in futures and options	142,500	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	2,798	3,010
Account payables arising from the online game services	937	–
	<u>931,865</u>	<u>555,565</u>

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Except for the amount payables 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 CFSG Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Account payables 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 CFSG Directors, the aged analysis does not give additional value in view of the nature of these businesses.

The account payables amounting to approximately HK\$574,577,000 (2005: HK\$352,902,000) was payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the CFSG Group does not have a currently enforceable right to offset these payables with the deposits placed.

Account payables arising from the online game services are payable for production of online game auxiliary products. The whole account payables are aged within 30 days.

31. Obligations under finance leases

It is the CFSG Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 2 to 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.1% to 6% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Amount payable under finance leases				
Within one year	243	164	215	150
In more than one year but not more than two years	119	177	115	159
	<u>362</u>	<u>341</u>	<u>330</u>	<u>309</u>
Less: future finance charges	<u>(32)</u>	<u>(32)</u>	<u>–</u>	<u>–</u>
Present value of lease obligations	<u><u>330</u></u>	<u><u>309</u></u>	<u>330</u>	<u>309</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			<u>(215)</u>	<u>(150)</u>
Amount due for settlement after 12 months			<u><u>115</u></u>	<u><u>159</u></u>

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

32. Bank borrowings

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank overdrafts, secured	89,347	29,737
Bank loans, secured	<u>190,421</u>	<u>142,000</u>
	<u><u>279,768</u></u>	<u><u>171,737</u></u>

The maturity profile of the above loans and overdrafts is as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	278,521	171,737
More than one year but not exceeding two years	1,247	–
	<u>279,768</u>	<u>171,737</u>
<i>Less: Amount due within one year shown under current liabilities</i>	<u>(278,521)</u>	<u>(171,737)</u>
Amount due after one year under non-current liabilities	<u>1,247</u>	<u>–</u>

At 31 December 2006, bank borrowings of HK\$277,347,000 (2005: HK\$171,737,000) used to finance the financing business of the CFSG Group were secured by:

- (a) corporate guarantees from CFSG; and
- (b) marketable securities of the CFSG Group's clients (with client's consent).

The bank loan amounting to HK\$2,421,000 as at 31 December 2006 is secured by personal guarantee from a director of a subsidiary, Fugleman Entertainment Company.

In addition, pursuant to a letter of undertaking given by the CFSG Group to a bank, the CFSG Group covenants to maintain deposits of not less than HK\$15,000,000 (2005: HK\$15,000,000) with a bank as a condition precedent to an overdraft facility granted by the bank (see note 29).

Bank overdrafts amounting to HK\$89,347,000 (2005: HK\$29,737,000) carry interest at either HIBOR plus a spread or Prime rate plus a spread. Bank loans amounting to HK\$188,000,000 (2005: HK\$142,000,000) are at variable-rate borrowings which carry interest at either HIBOR plus a spread or Prime rate plus a spread. In addition, bank loans amounting to HK\$2,421,000 (2005: nil) are at fixed rate borrowing of 6%. The fixed-rate borrowing is denominated in New Taiwan dollar, a currency other than its functional currency of Hong Kong dollar.

The effective interest rates on the CFSG Group's borrowings are also equal to contracted interest rates.

As at the balance sheet date, the CFSG Group has undrawn borrowing facility amounting to HK\$1,642,653,000 (2005: HK\$675,500,000) with floating rate and expiring within one year.

33. Share capital

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2005		2,000,000	200,000
Increase during the year	<i>(a)</i>	1,000,000	100,000
		<u>3,000,000</u>	<u>300,000</u>
At 31 December 2005 and 31 December 2006			
		<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:			
At 1 January 2005		754,556	75,456
Issue of subscription shares	<i>(d)</i>	132,000	13,200
Exercise of share options	<i>(c)</i>	13,325	1,332
Issue of top up shares	<i>(d)</i>	145,000	14,500
		<u>1,044,881</u>	<u>104,488</u>
At 31 December 2005 and 1 January 2006			
Issue of placing shares	<i>(d)</i>	155,000	15,500
Issue of subscription shares	<i>(d)</i>	120,000	12,000
Issue of conversion shares	<i>(b)</i>	60,000	6,000
Exercise of share options	<i>(c)</i>	2,170	217
		<u>1,382,051</u>	<u>138,205</u>
At 31 December 2006			
		<u>1,382,051</u>	<u>138,205</u>

Notes:

(a) Increase of authorised share capital

Pursuant to an ordinary resolution passed on 20 December 2005, the authorised share capital of CFSG was increased from HK\$200,000,000 to HK\$300,000,000 by the creation of an additional 1,000,000,000 shares of HK\$0.10 each.

(b) Conversion of convertible loan note

On 18 January 2006, convertible loan note amounting to HK\$16,200,000 was converted into 60,000,000 shares of CFSG at a conversion price of HK\$0.27 per share. These shares rank pari passu in all respects with other shares in issue.

(c) Exercise of share options

In September 2005, 650,000 share options and 12,675,000 share options of CFSG respectively were exercised at an exercise price of HK\$0.34 each, resulting in the issue of 650,000 shares and 12,675,000 shares of HK\$0.10 each on 16 September 2005 and 26 September 2005 respectively for a total consideration (before expenses) of HK\$4,530,000. These shares rank pari passu in all respects with other shares in issue.

In January 2006, 520,000 share options and 650,000 share options of CFSG respectively were exercised at an exercise price of HK\$0.34 per share, resulting in the issue of 520,000 shares and 650,000 shares of HK\$0.10 each on 25 January 2006 and 26 January 2006 respectively for a total consideration (before expenses) of HK\$397,800. These shares rank pari passu in all respects with other shares in issue.

In November 2006, 1,000,000 share options of CFSG were exercised at an exercise price of HK\$0.296 each, resulting in the issue of 1,000,000 shares of HK\$0.10 each on 14 November 2006 for a total consideration (before expenses) of HK\$296,000. These shares rank pari passu in all respects with other shares in issue.

(d) Issue of new shares

Pursuant to the subscription agreement dated 16 August 2004, a total of 132,000,000 shares of HK\$0.10 each of CFSG were issued to CIGL at the price of HK\$0.27 each on 15 September 2005. The gross proceeds of HK\$35,640,000 were used to strengthen the funding support and capital bases of CFSG. These shares rank pari passu in all respects with other shares in issue.

Pursuant to the top up agreement dated 22 September 2005, a total of 145,000,000 top up shares of HK\$0.10 each of CFSG were issued to CIGL at the price of HK\$0.40 each on 5 October 2005. The gross proceeds of HK\$58,000,000 were used to pay part of the consideration for proposed acquisition of an online game business under the sale and purchase agreement dated 15 September 2005. The acquisition was completed on 10 January 2006. These shares rank pari passu in all respects with other shares in issue.

On 10 January 2006, 155,000,000 placing shares of HK\$0.10 each of CFSG were issued at a placing price of HK\$0.40 each to independent third parties. On the same date, 120,000,000 subscription shares of HK\$0.10 each were issued to CIGL at a price of HK\$0.40 per share. The gross proceeds of the two transactions of HK\$62,000,000 and HK\$48,000,000 respectively were raised to settle part of the consideration of the acquisition of an online game business as mentioned in note 36(a)(i). These shares rank pari passu in all respects with other shares in issue.

34. Convertible loan note

CFSG issued convertible loan note amounting to HK\$40,500,000 to ARTAR, at the date of issuances on 1 September 2004. It bears interest at a rate of 3% per annum and is matured on 31 December 2006 or any other date mutually agreed between CFSG 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 CFSG. CFSG 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 CFSG with the consent of CFSG provided that such consent is not required for transfer to the wholly-owned subsidiaries of ARTAR. During the year ended 31 December 2005, CFSG had made partial repayment of the convertible loan note in a total amount of HK\$10,000,000. At 31 December 2005, the outstanding amount of the convertible loan note was HK\$30,500,000 convertible into a total number of 112,962,962 shares at the initial conversion price of HK\$0.27 per share.

On 18 January 2006, ARTAR had partially converted the convertible loan note in the sum of HK\$16,200,000 at the conversion price of HK\$0.27 per share for a total of 60,000,000 shares of HK\$0.10 each in CFSG. On 1 June 2006 and 28 June 2006, CFSG has made partial repayments of convertible loan note in an amount of HK\$8,000,000 and HK\$6,300,000 respectively. As at 28 June 2006, the convertible loan note was fully repaid.

The convertible loan note contains three components, embedded derivative for early redemption right, liability and equity elements. The CFSG Directors had assessed the fair value of the early redemption right and considered the fair value is insignificant. Upon the application of HKAS 32 Financial instruments: Disclosure and Presentation, the convertible loan note was split between the liability (including embedded derivative for early redemption) and equity elements, on a retrospective basis. The equity element is presented in equity heading "convertible loan note equity reserve". The effective interest rate of the liability component is HIBOR plus a spread determined at date of initial recognition.

The movement of the liability component of the convertible loan note for the year is set out below:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Liability component at the beginning of the year	30,242	39,834
Interest paid	59	284
Conversion to ordinary shares	(16,062)	–
Early partial repayment	(14,239)	(9,876)
	<u>–</u>	<u>30,242</u>
Liability at the end of the year	<u>–</u>	<u>30,242</u>

The partial repayment was allocated to the fair value of the liability component as at the date of early redemption determined on the same basis as initial recognition. The difference between the amount of partial repayment allocated to the liability component and the carrying amount of the liability component at that point in time is recognised directly in the income statement. During the year ended 31 December 2006, a partial repayment of HK\$14,300,000 (2005: HK\$10,000,000) was made and a corresponding settlement income of HK\$291,000 (2005: expenses of HK\$85,000) was recognised in the income statement directly.

The fair value of the liability component of the convertible loan note at the balance sheet date, determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan note at the balance sheet date, approximates its carrying amount.

35. Major non-cash transactions

- (a) 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 CFSG Group. The fee for these services will be used to offset the prepayment for advertising and telecommunication services which the CFSG Group paid. During the year, the CFSG Group has utilised approximately HK\$4,933,000 advertising and telecommunication services (2005: nil).
- (b) During the year ended 31 December 2006, the principal amount of convertible loan note of HK\$16,200,000 was converted into 60,000,000 shares of HK\$0.10 each at a conversion price of HK\$0.27 each.

36. Acquisitions of subsidiaries

(a) Acquisitions of business

(i) Netfield Group

On 10 January 2006, the CFSG Group acquired 100% of the equity interest of Netfield Technology Limited from an independent third party with an aggregate consideration of approximately HK\$116,484,000. This acquisition has been accounted for using the purchase method. The amounts of goodwill and intangible assets arising as a result of the acquisition were HK\$102,491,000 and HK\$16,390,000 respectively.

	Acquiree's carrying amount before combination	Fair value adjustment	Fair value
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property and equipment	2,615	–	2,615
Prepayments, deposits and other receivables	1,496	–	1,496
Bank balances and cash	2,300	–	2,300
Accrued liabilities and other payables	(6,349)	–	(6,349)
Amount due to a shareholder	(24,694)	–	(24,694)
Intangible assets in relation to online game related intellectual property	–	16,390	16,390
Deferred tax liabilities	–	(2,459)	(2,459)
	(24,632)	13,931	(10,701)

	<i>Note</i>	Acquiree's carrying amount before combination HK\$'000	Fai value adjustment HK\$'000	Fair value HK\$'000
Amount due to a shareholder assigned to the CFSG Group				24,694
Goodwill				102,491
Cash consideration				<u>116,484</u>
Total consideration satisfied by:				
Deposit paid	22			56,095
Cash consideration paid				60,389
				<u>116,484</u>
Net cash outflow arising on acquisition:				
Total cash payment				(60,389)
Bank balances and cash acquired				2,300
				<u>(58,089)</u>

The goodwill arising on acquisition is attributable to the anticipated profitability of the CFSG Group in the new business of online game services.

The Netfield Group was acquired on 10 January 2006 and contributed approximately HK\$25,525,000 to the CFSG Group's revenue, and HK\$23,633,000 loss to the CFSG Group's profit for the period since acquisition to 31 December 2006.

(ii) *New Dragon Investments Limited and its subsidiary ("New Dragon Group")*

On 31 July 2006, the CFSG Group signed a sale and purchase agreement to acquire 100% of the issued share capital of New Dragon Investments Limited. This acquisition has been completed on 15 November 2006. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK\$7,454,000.

	Acquiree's carrying amount and fair value before combination
	<i>HK\$'000</i>
Net assets acquired:	
Property and equipment	6,554
Domain name	5,460
Inventories	325
Trade receivables	5,763
Other receivables, deposits and prepayments	6,975
Bank balances and cash	5,182
Trade payables	(12,276)
Other payables and accruals	(11,376)
Obligations under finance lease	(172)
Amount due to shareholder	(5,014)
	<hr/>
	1,421
Minority interests	(2,389)
Amount due to shareholder assigned to the CFSG Group	5,014
Goodwill	7,454
	<hr/>
Cash payment (include related costs of the acquisition)	11,500
	<hr/> <hr/>
Total consideration satisfied by:	
Cash consideration paid	9,000
Related costs of the acquisition	2,500
	<hr/>
	11,500
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Total cash payment	(11,500)
Bank balances and cash acquired	5,182
	<hr/>
	(6,318)
	<hr/> <hr/>

The goodwill arising on acquisition is attributable to the anticipated profitability of the CFSG Group in the new market development of online game services in Taiwan.

Acquisition of the New Dragon Group contributed approximately HK\$11,726,000 to the CFSG Group's revenue and HK\$61,000 to the CFSG Group's profit for the period since acquisition to 31 December 2006.

If the acquisitions discussed in (i) and (ii) above had been completed on 1 January 2006, the CFSG Group's total revenue for the year would have been approximately HK\$398,704,000, and profit for the year would have been approximately HK\$35,320,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of CFSG Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

(b) Acquisition of assets and liabilities from CASH

During the year, through the acquisition of equity interest of certain subsidiaries of CASH, the CFSG Group has, in substance, acquired the following assets and related liabilities at a total consideration of HK\$852,000:

	<i>HK\$'000</i>
Property and equipment	12,303
Club memberships	3,090
Investment property	5,000
Prepayment	1,589
Bank balances and cash	116
Accounts payable and accruals	(9,141)
Loan payable	(12,105)
	<hr/>
Net assets acquired	852
	<hr/>
Cash consideration	852
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Total cash payment	(852)
Bank balances and cash	116
	<hr/>
Net cash outflow arising on acquisition of assets and related liabilities	(736)
	<hr/> <hr/>

37. Share option schemes

(A) Share option schemes of CFSG

The share option scheme of CFSG ("Option Scheme") was adopted pursuant to an ordinary resolution passed at the special general meeting of CFSG held on 19 February 2002. The major terms of the 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 CFSG Group ("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, CFSG 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 Option Scheme must not exceed 10% of the issued share capital of CFSG as at the date of approval of the Option Scheme and such limit might be refreshed by shareholders in general meeting. The maximum number of shares was 138,105,144 shares, representing 9.99% of the issued share capital of CFSG, 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 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 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 CFSG Board and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the CFSG Board 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 CFSG.
- (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 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 of CFSG held by the CFSG Directors and the employees of the CFSG Group 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 1.1.2005	exercised in 2005 (Note 3)	granted in 2005 (Note 4)	lapsed in 2005 (Note 6)	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006 (Note 5)	exercised in 2006 (Note 3)	lapsed in 2006 (Note 6)	outstanding as at 31.12.2006
CFSG Directors													
Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005		12,740,000	-	-	(12,740,000)	-	-	-	-	-
	2.12.2003	0.340	1.6.2004-31.5.2006	(1)	650,000	-	-	-	650,000	-	-	(650,000)	-
	6.10.2005	0.380	6.10.2005-31.10.2006	(4)	-	-	42,000,000	-	42,000,000	-	-	(42,000,000)	-
	7.7.2006	0.296	7.7.2006-31.7.2008	(5)	-	-	-	-	-	27,000,000	-	-	27,000,000
					<u>13,390,000</u>	<u>-</u>	<u>42,000,000</u>	<u>(12,740,000)</u>	<u>42,650,000</u>	<u>27,000,000</u>	<u>-</u>	<u>(42,650,000)</u>	<u>27,000,000</u>
Employees													
Option Scheme	2.12.2003	0.340	2.12.2003-30.11.2005		9,555,000	-	-	(9,555,000)	-	-	-	-	-
	2.12.2003	0.340	1.6.2004-31.5.2006	(1)&(3)	20,540,000	(13,325,000)	-	(2,795,000)	4,420,000	-	(1,170,000)	(3,250,000)	-
	6.10.2005	0.380	6.10.2005-31.10.2006	(4)	-	-	33,000,000	-	33,000,000	-	-	(33,000,000)	-
	7.7.2006	0.296	7.7.2006-31.7.2008	(3)&(5)	-	-	-	-	-	74,300,000	(1,000,000)	-	73,300,000
	7.7.2006	0.296	7.7.2006-31.7.2010	(2)&(5)	-	-	-	-	-	6,000,000	-	-	6,000,000
					<u>30,095,000</u>	<u>(13,325,000)</u>	<u>33,000,000</u>	<u>(12,350,000)</u>	<u>37,420,000</u>	<u>80,300,000</u>	<u>(2,170,000)</u>	<u>(36,250,000)</u>	<u>79,300,000</u>
					<u>43,485,000</u>	<u>(13,325,000)</u>	<u>75,000,000</u>	<u>(25,090,000)</u>	<u>80,070,000</u>	<u>107,300,000</u>	<u>(2,170,000)</u>	<u>(78,900,000)</u>	<u>106,300,000</u>

Notes:

- (1) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.
- (3) On 16 September 2005 and 26 September 2005, 650,000 share options and 12,675,000 shares options of CFSG were exercised at the exercise price of HK\$0.34 per share. The weighted average closing price of the CFSG Shares immediately before the respective date of exercise was HK\$0.495 per share and HK\$0.470 per share.

On 25 January 2006 and 26 January 2006, 520,000 share options and 650,000 share options of CFSG were exercised at the exercise price of HK\$0.34 per share respectively. The weighted average closing prices of the CFSG Shares immediately before the date of exercise were HK\$0.41 per share and HK\$0.42 per share respectively.

On 14 November 2006, 1,000,000 share options of CFSG were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the CFSG Shares immediately before the date of exercise was HK\$0.34 per share.

- (4) The closing price of the CFSG Share immediately before the date of grant on 6 October 2005 was HK\$0.335.
- (5) The closing price of the CFSG Share immediately before the date of grant on 7 July 2006 was HK\$0.29.
- (6) The lapsed options were due to expiry or cessation of employment of participants with the CFSG Group.
- (7) No option was cancelled during the year.

The exercise in full of the outstanding 106,300,000 share options at 31 December 2006 would, under the present capital structure of CFSG, result in the issue of 106,300,000 additional shares for a total cash consideration, before expenses, of approximately HK\$31,464,800.

During the year ended 31 December 2006, options were granted on 7 July 2006 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK\$1,613,000.

During the year ended 31 December 2005, options were granted on 6 October 2005 and are fully vested at the same date. The estimated fair values of the options granted on that date are HK\$162,500.

These fair values are calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share option grant date	
	6 October 2005	7 July 2006
Weighted average share price	HK\$0.32	HK\$0.29
Exercise price	HK\$0.38	HK\$0.30
Expected volatility	20%	74%
Expected life	1 year	2 years
Risk-free rate	3.86%	4.59%
Expected dividend yield	3.125%	3.125%

Expected volatility was determined by using the historical volatility of CFSG Share price over the previous 256 trading days. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The CFSG Group recognised the total expenses of approximately HK\$1,613,000 (2005: HK\$203,000) for the year ended 31 December 2006 in relation to share options granted by CFSG.

(B) Share option scheme of CASH

The share option scheme of CASH was adopted pursuant to an ordinary resolution passed at the special general meeting of CASH held on 19 February 2002 (“CASH Option Scheme”). The major terms of the CASH 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, CFSG 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 Option Scheme must not exceed 10% of the issued share capital of CASH as at the date of approval of the CASH 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 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 CASH 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 CASH Board and provided in the offer of grant of option.
- (vi) The exercise period should be any period fixed by the CASH Board 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 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 CFSG Directors and the employees of the CFSG Group and movements in such holdings:

Name of scheme	Date of grant	Exercise price per share HK\$	Exercise period	Number of options				
				outstanding as at 1.1.2005	lapsed in 2005	outstanding as at 31.12.2005 and 1.1.2006	granted in 2006	outstanding as at 31.12.2006
CFSG Directors								
CASH Option Scheme	2.12.2003	0.502	2.12.2003-30.11.2005	10,000,000	(10,000,000)	-	-	-
	13.11.2006	0.323	13.11.2006-12.11.2008	-	-	-	12,000,000	12,000,000
				<u>10,000,000</u>	<u>(10,000,000)</u>	<u>-</u>	<u>12,000,000</u>	<u>12,000,000</u>
Employees								
CASH Option Scheme	13.11.2006	0.323	13.11.2006-12.11.2008	-	-	-	20,000,000	20,000,000
				<u>10,000,000</u>	<u>(10,000,000)</u>	<u>-</u>	<u>32,000,000</u>	<u>32,000,000</u>

38. Retirement benefits scheme

The CFSG 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 CFSG Group in Hong Kong are required to join the MPF Scheme. In respect of those employees who leave the CFSG 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 CFSG 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 CFSG Group in an independently administrated fund. The CFSG 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\$3,528,000 (2005: HK\$2,366,000) and HK\$93,000 (2005: HK\$316,000) respectively for the year ended 31 December 2006.

During the year ended 31 December 2006, the CFSG Group has acquired a subsidiary in Taiwan. The subsidiary operates pension plan under the Labor Pension Act ("Act").

The Act provides for a defined contribution benefit plan. Under the Act, the subsidiary make monthly contributions at 6% of basic salaries (i.e. net of bonuses and benefits) to the employees' individual pension accounts. During the year ended 31 December 2006, the CFSG Group recognised pension costs of HK\$88,000.

The CFSG Group operates various benefits schemes for its full-time employees in PRC 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 CFSG 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. During the year ended 31 December 2006, the CFSG Group recognised contribution to the above benefit schemes of HK\$1,086,000.

39. Related party transactions

The CFSG Group had the following significant transactions with related parties:

- (a) During the year ended 31 December 2006, the CFSG Group received right issue underwriting fee of approximately HK\$705,000 from CASH. The fee was calculated at 2.5% on the total proceeds from the placement received by CASH.
- (b) During the year ended 31 December 2006, the CFSG Group received interest from margin financing of approximately HK\$1,199,000 (2005: HK\$928,000) from Cash Guardian, in which Mr Kwan Pak Hoo Bankee, a CFSG Director has a controlling interest and is also a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.
- (c) During the year ended 31 December 2006, the CFSG Group received interest from margin financing of approximately HK\$39,525 (2005: HK\$8,700) 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.
- (d) During the year ended 31 December 2006, the CFSG Group acquired three subsidiaries from CASH at a total consideration of HK\$852,000 (see note 36(b)).
- (e) During the year ended 31 December 2006, the CFSG Group paid introducing fee to an associate amounting to HK\$600,000.
- (f) At 31 December 2006, the CFSG Group had amounts of approximately HK\$3,463,000 (2005: HK\$972,000) due from fellow subsidiaries. The amounts were unsecured, non-interest bearing and had no fixed repayment terms.
- (g) During both years, compensation of key management personnel represents CFSG Directors' remuneration, as stated in note 10. The CFSG Directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

40. Commitments*Capital commitment*

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the financial statements	–	55,000

The acquisition of subsidiaries was duly passed at the special general meeting by shareholders and independent shareholders of CFSG on 20 December 2005. The acquisition was completed on 10 January 2006 upon the completion of all conditions as stated in the share purchase agreement dated 15 September 2005.

41. Operating lease commitments

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	8,590	6,582
In the second to fifth year inclusive	918	4,826
	<u>9,508</u>	<u>11,408</u>

Operating lease payments represent rental payable by the CFSG 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.

42. Contingent liabilities

In 2002, Pang Po King Cannie (“Pang”) filed a statement of claim against Celestial Securities Limited (“CSL”), a wholly-owned subsidiary of CFSG, 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 CFSG Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The CFSG Directors do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 31 December 2006 and 2005. Accordingly, no provision was made in the financial statements.

43. Post balance sheet events

Subsequent to 31 December 2006, the CFSG Group announced a connected and discloseable transaction on 9 January 2007 for the proposed disposal of the entire interest in Netfield Technology Limited to CASH at a consideration (“Consideration”) of the higher of HK\$120 million or the valuation of the online game business operated by Netfield Technology Limited as at 31 December 2006. The transaction will be subject to the approval of the independent shareholders of CFSG at a special general meeting to be convened.

Pursuant to the option deed dated 9 January 2007, CASH has agreed to grant an option, which is subjected to certain precedent conditions, to Mr Lin Che Chu George, a common director of both CASH and Netfield Technology Limited. Under such option, Mr Lin Che Chu George has a right to require CASH to transfer such number of shares in Netfield Technology Limited as representing 10% of the entire issued share capital of Netfield Technology Limited for 10% of the Consideration.

44. Particulars of principal subsidiaries of CFSG

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by CFSG %	Principal activities
CASH Asset Management Limited	Hong Kong	HK\$200,000	100	Provision of asset management services
CASH E-Trade Limited	Hong Kong	HK\$4,000,000	100	Provision of management services for group companies
CASH Payment Services Limited	Hong Kong	HK\$2	100	Provision of payment gateway services for group companies
Celestial Capital Limited	Hong Kong	HK\$27,000,000	100	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	HK\$10,000,000	100	Futures and options broking and trading
Celestial Investments (HK) Limited	Hong Kong	HK\$10,000,000	100	Money lending
Celestial Securities Limited	Hong Kong	HK\$140,000,000	100	Securities, equity options broking and trading, leveraged foreign exchange contracts and provision of share margin financing
icoupon Limited	British Virgin Islands	US\$1	100	Investment holding

APPENDIX II**FINANCIAL INFORMATION ON THE CFSG GROUP**

Name	Place of incorporation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital held by CFSG %	Principal activities
CASH Frederick Taylor Limited	Hong Kong	HK\$1,000,000	70	Financial advisory consultancy
富格曼科技股份有限公司 (translated as Fugleman Entertainment Company)	Taiwan	NTD40,820,000	51	Online game operator
摩力游(上海)信息科技有限公司 (translated as MOLI China Information Technology Limited)	PRC	US\$3,000,000	100	Online game developer
上海摩力游數字娛樂有限公司 (previously known as 上海嘉思華數字娛樂有限公司) (translated as Shanghai Moliyo Digital Entertainment Limited)	PRC	RMB1,000,000	100	Online game operator

CASH E-Trade Limited and icoupon Limited are directly held by CFSG. All other subsidiaries shown above are indirectly held by CFSG.

45. SUMMARISED BALANCE SHEET OF CFSG

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i> (restated)
Non-current assets		
Investments in subsidiaries	470,800	466,279
Deposit for acquisition	–	56,095
	<u>470,800</u>	<u>522,374</u>
Current assets		
Amounts due from subsidiaries	235,861	127,772
Bank balances (general accounts)	72	691
	<u>235,933</u>	<u>128,463</u>
Current liabilities		
Accrued liabilities and other payables	1,920	1,499
Amounts due to subsidiaries	323,273	323,273
Convertible loan note – amount due within one year	–	30,242
	<u>325,193</u>	<u>355,014</u>
Net current liabilities	<u>(89,260)</u>	<u>(226,551)</u>
	<u>381,540</u>	<u>295,823</u>
Capital and reserves		
Share capital	138,205	104,488
Reserves	243,335	191,335
Total equity	<u>381,540</u>	<u>295,823</u>

INDEBTEDNESS

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the CFSG Group had the following indebtedness.

Borrowing

As at 30 April 2007, the CFSG Group had total bank borrowings of approximately HK\$471.7 million, comprising bank loans of HK\$255.5 million and overdrafts of HK\$216.2 million. The bank borrowings of HK\$438.2 million were drawn to fund securities margin financing to its clients and were collateralised by its margin clients' securities pledged to the CFSG Group for seeking financing. The bank loan of HK\$30.0 million was drawn to finance IPO of new shares to its clients. Another bank borrowings of HK\$1.5 million was secured by trade receivable of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company), a subsidiary of CFSG. The remaining bank borrowings of approximately HK\$2.0 million was guaranteed by a director of 富格曼科技股份有限公司 (translated as Fugleman Entertainment Company).

As at 30 April 2007, a cash deposit of approximately HK\$10.3 million were pledged as collateral for a general overdraft facility of HK\$30.0 million which was fully drawdown at 30 April 2007. Another deposit of HK\$1.0 million was pledged to secure a general banking facility granted to a subsidiary of CFSG. In addition, pursuant to a letter of undertaking provided by the CFSG Group to a bank, the CFSG 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\$16.7 million was held for this purpose.

In addition, the CFSG Group has outstanding obligations under finance leases of approximately HK\$0.1 million as at 30 April 2007.

Contingent liabilities

As at 30 April 2007, the CFSG Group had litigations as disclosed in the paragraph "Litigations" in Appendix III to this document.

Save as aforesaid, the CFSG Group had no other material contingent liabilities as at 30 April 2007.

Disclaimers

Save as disclosed above, as at the close of business on 30 April 2007, the CFSG Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

MATERIAL CHANGES

As at the Latest Practicable Date, the CFSG Board was not aware of any material changes in the financial or trading position or outlook subsequent to 31 December 2006, being the date to which the latest audited financial statements of the CFSG Group were made up.

UNAUDITED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2007

The following is the unaudited financial results of the CFSG Group for the three months ended 31 March 2007 as extracted from the first quarterly report 2007 of CFSG.

Results

The unaudited consolidated results of the CFSG Group for the three months ended 31 March 2007 together with the comparative figures for the last corresponding period are as follows:

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

Notes:

(1) Basis of preparation

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

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

(2) Significant accounting policies

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

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

(3) Revenue

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

(4) Taxation charge

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

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

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

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

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

(5) Earnings per share

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

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

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

(6) Reserves

	Unaudited three months ended 31 March 2007						
	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible		Translation reserve <i>HK\$'000</i>	(Accumulated losses)/ retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
			loan note equity reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>			
Beginning of the three months period	220,970	128,550	-	2,496	(288)	(10,102)	341,626
Profit for the period, representing total recognised income for the period	-	-	-	-	-	28,551	28,551
End of the three months period	<u>220,970</u>	<u>128,550</u>	<u>-</u>	<u>2,496</u>	<u>(288)</u>	<u>18,449</u>	<u>370,177</u>

	Unaudited three months ended 31 March 2006					
	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Convertible		Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
			loan note equity reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>		
Beginning of the three months period	130,794	173,550	581	883	(53,678)	252,130
Profit for the period, representing total recognised income for the period	-	-	-	-	15,311	15,311
Arising from partial repayment of convertible loan note	-	-	(273)	-	-	(273)
Issue of new shares	<u>92,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,981</u>
End of the three months period	<u>223,775</u>	<u>173,550</u>	<u>308</u>	<u>883</u>	<u>(38,367)</u>	<u>360,149</u>

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent CFSG Shareholders and the CFSG Option Holders with regards to the CFSG Group and the Offers.

The CFSG Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the Offeror, its associates or parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

The CASH Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the CFSG Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than information relating to the CFSG Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document have been arrived at after due and careful consideration and there are no other facts not contained in this document the omission of which would make any statement in this document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

CFSG was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the GEM. Its head office and principal place of business in Hong Kong is at 21/F The Center, 99 Queen's Road Central, Hong Kong. The secretary of CFSG is Ms Luke Wing Sheung Suzanne, who is a fellow member of the Institute of Chartered Secretaries and Administrators. The qualified accountant of CFSG is Mr Wong Hon Ming Wallace, who is a Certified Public Accountant.

3. SHARE CAPITAL OF CFSG

As at the Latest Practicable Date, the authorised and issued share capital of CFSG were as follows:

	Number of CFSG Shares	HK\$
Authorised share capital	<u>3,000,000,000</u>	<u>300,000,000.00</u>
Issued and fully paid up share capital	<u>1,383,051,448</u>	<u>138,305,144.80</u>

All of the CFSG Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Except for 1,000,000 CFSG Shares issued upon exercise of 1,000,000 CFSG Options by Mr Wong Kin Yick Kenneth, the executive CFSG Director, on 23 April 2007, no CFSG Share has been issued since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of CFSG were made up) up to and including the Latest Practicable Date.

Save for the CFSG Options, CFSG did not have any outstanding options, warrants or other securities carrying rights of conversion into or exchange or subscription for the CFSG Shares as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

(i) CFSG Directors' interests and short positions in shares, underlying shares or debentures of CFSG and its associated corporations:

Save as disclosed below, as at the Latest Practicable Date, none of the CFSG Directors and chief executives of CFSG had any interests and short position in the shares, underlying shares and debentures of CFSG or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CFSG and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

A. *Interests in CFSG*(a) *Long positions in the ordinary CFSG Shares*

Name	Capacity	Number of CFSG Shares		
		Personal	Other interest	Shareholding (%)
Mr Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	711,687,434*	51.46
Mr Wong Kin Yick Kenneth	Beneficial owner	10,860,000	–	0.79
Mr Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Mr Cheng Man Pan Ben	Beneficial owner	1,288,000	–	0.09
Mr Cheng Shu Shing Raymond	Beneficial owner	1,100,000	–	0.08
		<u>30,512,000</u>	<u>711,687,434</u>	<u>53.67</u>

* The CFSG Shares were held as to 671,295,434 CFSG Shares by CIGL and as to 40,392,000 CFSG Shares by Cash Guardian Limited. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these CFSG Shares as a result of his interests in CASH through Cash Guardian Limited as disclosed in paragraph 4(iii) below.

(b) *Long positions in the underlying shares of CFSG – CFSG Options*

Name	Date of grant	Exercise period	Exercise price per CFSG Share (HK\$)	Number of	Percentage
				outstanding CFSG options as at the Latest Practicable Date	to issued CFSG Shares as at the Latest Practicable Date (%)
Mr Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Mr Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296	5,000,000	0.36
Mr Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Mr Cheng Man Pan Ben	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Mr Cheng Shu Shing Raymond	7/7/2006	7/7/2006 – 31/7/2008	0.296	1,000,000	0.07
Dr Hui Ka Wah Ronnie	7/7/2006	7/7/2006 – 31/7/2008	0.296	1,000,000	0.07
Mr Lo Kwok Hung John	7/7/2006	7/7/2006 – 31/7/2008	0.296	1,000,000	0.07
				<u>26,000,000</u>	<u>1.86</u>

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

Name	Number of CFSG Shares	Number of underlying CFSG Shares	Aggregate in number	Percentage to issued CFSG Shares as at the Latest Practicable Date (%)
Mr Kwan Pak Hoo Bankee	711,687,434	6,000,000	717,687,434	51.89
Mr Wong Kin Yick Kenneth	10,860,000	5,000,000	15,860,000	1.15
Mr Law Ping Wah Bernard	17,264,000	6,000,000	23,264,000	1.68
Mr Cheng Man Pan Ben	1,288,000	6,000,000	7,288,000	0.52
Mr Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.15
Dr Hui Ka Wah Ronnie	–	1,000,000	1,000,000	0.07
Mr Lo Kwok Hung John	–	1,000,000	1,000,000	0.07
	<u>742,199,434</u>	<u>26,000,000</u>	<u>768,199,434</u>	<u>55.53</u>

B. Interests in associated corporation**CASH**(a) *Long positions in the ordinary CASH Shares*

Name	Capacity	Number of CASH Shares		Shareholding (%)
		Personal	Other interest	
Mr Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	246,042,564*	37.49
Mr Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.16
Mr 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 CASH Shares were held by Cash Guardian Limited. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these CASH Shares as a result of his interests in Cash Guardian Limited as disclosed in paragraph 4(iii) below.

(b) *Long positions in the underlying CASH Shares – options under share option scheme of CASH*

Name	Date of grant	Exercise period	Exercise price per CASH Share (HK\$)	Number of options outstanding as at the Latest Practicable Date	Percentage to issued CASH Shares as at the Latest Practicable Date (%)
Mr Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
Mr Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
Mr Law Ping Wah Bernard	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 CASH Shares and the underlying shares of CASH*

Name	Number of CASH Shares	Number of underlying CASH Shares	Aggregate in number	Percentage to issued CASH Shares as at the Latest Practicable Date (%)
Mr Kwan Pak Hoo Bankee	246,042,564	4,000,000	250,042,564	38.10
Mr Wong Kin Yick Kenneth	–	4,000,000	4,000,000	0.61
Mr Law Ping Wah Bernard	7,644,300	4,000,000	11,644,300	1.77
Mr 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>

(ii) **CFSG Directors' interests in assets and contracts of the CFSG Group:**

As at the Latest Practicable Date, none of the CFSG Directors had any interest in any assets which have been acquired, disposed of or leased to any member of the CFSG Group, or are proposed to be acquired, disposed of or leased to any members of the CFSG Group, there was no material contract or arrangement entered into by CFSG, in which any CFSG Directors had a material personal interest.

(iii) Interests of substantial CFSG Shareholders in the securities of CFSG:

Save as disclosed below, as at the Latest Practicable Date and so far as was known to the CFSG Directors and chief executives of CFSG, there were no other persons who had an interest or a short position in the CFSG Shares or underlying shares of CFSG which would fall to be disclosed to CFSG under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meeting of any other members of the CFSG Group or had any options in respect of such CFSG Shares:

Name	Capacity	Number of CFSG Shares	Shareholding (%)
Jeffnet Inc (<i>Note (1)</i>)	Trustee of a discretionary trust	711,687,434	51.46
Cash Guardian Limited (<i>Note (1)</i>)	Interest in a controlled corporation	711,687,434	51.46
CASH (<i>Note (1)</i>)	Interest in a controlled corporation	671,295,434	48.54
CIGL (<i>Note (1)</i>)	Beneficial owner	671,295,434	48.54
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (<i>Note (2)</i>)	Interest in a controlled corporation	207,636,000	15.02
ARTAR (<i>Note (2)</i>)	Beneficial owner	207,636,000	15.02
Dr Wolfgang Auer von Welsbach (<i>Note (3)</i>)	Interest in a controlled corporation	71,502,907	5.17
Auer von Welsbach Privatstiftung (<i>Note (3)</i>)	Interest in a controlled corporation	71,502,907	5.17
AvW Beteiligungsverwaltungs GmbH (<i>Note (3)</i>)	Interest in a controlled corporation	71,502,907	5.17
AvW Management Beteiligungs AG (<i>Note (3)</i>)	Interest in a controlled corporation	71,502,907	5.17
AvW Invest AG Aktiengesellschaft (<i>Note (3)</i>)	Beneficial owner	71,502,907	5.17

Notes:

- (1) This refers to the same number of 711,687,434 CFSG Shares which were held as to 671,295,434 CFSG Shares by CIGL and as to 40,392,000 CFSG Shares by Cash Guardian Limited (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian Limited. 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 Pak Hoo Bankee, Jeffnet Inc and Cash Guardian Limited 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 Pak Hoo Bankee in paragraph 4(i)A above.

- (2) This refers to the same number of 207,636,000 CFSG Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the CFSG Shares held by ARTAR.

- (3) This refers to the same number of 71,502,907 CFSG 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 CFSG Shares held by AvW Invest AG Aktiengesellschaft.

(iv) Other interests in CFSG:

As at the Latest Practicable Date,

- (a) no subsidiary of CFSG, or pension fund of CFSG or of any members of the CFSG Group, owned or controlled any securities in CFSG;

- (b) no CFSG Shares, convertible securities, warrants, options or derivatives of CFSG was managed on a discretionary basis by fund managers connected with CFSG;

- (c) none of the professional advisers named under the section headed “Experts and consents” in this Appendix or any adviser to CFSG as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any securities of CFSG;

- (d) save for the respective interests in CFSG of Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth as disclosed in paragraph 4(i)A above, the interests in CFSG of Cash Guardian Limited as disclosed in paragraph 4(iii) above and save as disclosed below, no directors of the Offeror or any party acting in concert with the Offeror, had any interest in any securities of CFSG:

(i) *Long positions in the ordinary CFSG Shares*

Name	Capacity	Number of CFSG Shares	
		Personal	Shareholding (%)
Mr Lin Che Chu George	Beneficial owner	280,000	0.02
Other parties acting in concert	Beneficial owners	202,548	0.01
		482,548	0.03

(ii) *Long positions in the underlying shares of CFSG – CFSG Options*

Name	Date of grant	Exercise period	Exercise price per CFSG Share (HK\$)	Number of outstanding CFSG Options as at the Latest Practicable Date	Percentage to issued CFSG Shares as at the Latest Practicable Date (%)
				Practicable Date	Practicable Date
Mr Lin Che Chu George	7/7/2006	7/7/2006 – 31/7/2008	0.296	13,800,000	0.99
Other parties acting in concert	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,300,000	0.46
				20,100,000	1.45

(iii) *Aggregate long positions in the ordinary CFSG Shares and the underlying shares of CFSG*

Name	Number of CFSG Shares	Number of CFSG Options	Aggregate in number	Percentage to issued CFSG Shares as at the Practicable Date (%)
Mr Lin Che Chu George	280,000	13,800,000	14,080,000	1.01
Other parties acting in concert	202,548	6,300,000	6,502,548	0.47
			20,582,548	1.48

- (e) no person, who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with it, had any interest in any securities of CFSG; and
- (f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CFSG or with any person who is an associate of CFSG by virtue of classes (1), (2), (3) and (4) of the definition of “associates” under the Takeovers Code owned or controlled any securities of CFSG.

(v) **Interests in the Offeror:**

As at the Latest Practicable Date, save for the indirect interests in the Offeror of Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Cheng Man Pan Ben through their respective interests in CASH as disclosed in paragraph 4(i)B above, none of CFSG, any members of the CFSG Group, or any of the CFSG Directors had any interest in the shares, options, warrants, derivatives or securities convertible into shares of the Offeror.

5. DEALINGS IN SECURITIES

During the period beginning six months prior to the date of the Announcement (being the commencement date of the Offers period pursuant to the Takeovers Code) up to the Latest Practicable Date,

- (i) save for the dealings in the CFSG Shares as disclosed below and the acquisition of the Sale Shares by the Offeror pursuant to the S&P Agreements, none of the Offeror nor parties acting in concert with it had dealt for value in any securities of CFSG;

(A) Offeror

Date of dealing	Number of CFSG Shares acquired	Acquisition price per CFSG Share (HK\$)
10/5/2007	5,468,000	0.380

(B) Mr Wong Kin Yick Kenneth

Date of dealing	Number of CFSG Shares acquired	Acquisition price per CFSG Share (HK\$)
14/11/2006	256,000	0.325
	300,000	0.335
23/11/2006	100,000	0.330
	20,000	0.325
	112,000	0.320
24/11/2006	204,000	0.325
	296,000	0.330
29/11/2006	88,000	0.320
	12,000	0.315
23/4/2007 (<i>Note</i>)	1,000,000	0.296

Note: Mr Wong Kin Yick Kenneth acquired such 1,000,000 CFSG Shares upon exercise of 1,000,000 CFSG Options.

- (ii) save for the dealings in the CFSG Shares by Mr Wong Kin Yick Kenneth as disclosed in paragraph 5(i)(B) above and the acquisition of the Sale Shares by the Offeror pursuant to the S&P Agreements, the directors of the Offeror had not dealt for value in any securities of CFSG;
- (iii) save for the dealings in the CFSG Shares by Mr Wong Kin Yick Kenneth as disclosed in paragraph 5(i)(B) above and by Mr Cheng Man Pan Ben as disclosed below, neither CFSG nor any of the CFSG Directors had dealt for value in any securities of the Offeror or CFSG;

Mr Cheng Man Pan Ben

Date of dealing	Number of CFSG Shares acquired	Acquisition price per CFSG Share (HK\$)
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19/12/2006	200,000	0.365
20/12/2006	100,000	0.400

- (iv) save for the dealings in the CFSG Shares for the account of non-discretionary clients by Celestial Securities Limited, none of the subsidiaries of CFSG, nor any pension fund of CFSG or of any members of the CFSG Group, had dealt for value in any securities of CFSG;
- (v) none of the professional advisers named under the section headed “Experts and consents” in this Appendix, or any adviser to CFSG as specified in class (2) of the definition of “associate” under the Takeovers Code, had dealt for value in any securities of CFSG;
- (vi) no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CFSG or with any of its associates by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any securities of CFSG;
- (vii) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any parties acting in concert with it had dealt for value in any securities of CFSG;
- (viii) no fund managers who managed funds on a discretionary basis or connected with CFSG had dealt for value in any securities of CFSG; and
- (ix) save as disclosed in paragraph 5(iii) above and as disclosed below, no person who have irrevocably committed themselves not to accept the Offers, had dealt for value in any securities of CFSG;

The CFSG Shareholders who undertake not to accept the Share Offer:

A public CFSG Shareholder

Date of dealing	Number of CFSG Shares acquired	Acquisition price per CFSG Share (HK\$)
30/1/2007	200,000	0.355
	208,000	0.350
1/2/2007	200,000	0.355
	200,000	0.360
2/2/2007	192,000	0.350
5/3/2007	564,000	0.300
	136,000	0.305
20/3/2007	132,000	0.340
	200,000	0.345
21/3/2007	200,000	0.350
22/3/2007	288,000	0.35

The CFSG Option Holders who undertake not to accept the Option Offer:

Ms Yu Lai Man Tonnie

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
24/4/2007	Disposal	48,000	0.395
		48,000	0.390
26/4/2007	Disposal	76,000	0.360
10/5/2007	Disposal	48,000	0.430

Mr Cheng Kai Man

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
22/11/2006	Acquisition	200,000	0.325
28/11/2006	Acquisition	200,000	0.315
29/11/2006	Acquisition	20,000	0.315
		24,000	0.310
15/12/2006	Disposal	200,000	0.340
19/12/2006	Disposal	100,000	0.380
		100,000	0.390
20/12/2006	Disposal	100,000	0.400
		100,000	0.410
4/1/2007	Acquisition	100,000	0.400
		100,000	0.405
		100,000	0.395
12/1/2007	Acquisition	48,000	0.385
		100,000	0.390
		100,000	0.400
16/1/2007	Acquisition	268,000	0.390
13/2/2007	Disposal	36,000	0.365
19/3/2007	Acquisition	100,000	0.325
2/4/2007	Disposal	200,000	0.340
		160,000	0.350
3/4/2007	Acquisition	16,000	0.340
24/4/2007	Disposal	200,000	0.375
26/4/2007	Acquisition	52,000	0.355
		100,000	0.360
		100,000	0.365

Associates of Mr Cheng Kai Man

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
23/11/2006	Acquisition	200,000	0.320
		200,000	0.325
24/11/2006	Acquisition	200,000	0.320
		100,000	0.325
30/11/2006	Disposal	200,000	0.320
5/12/2006	Disposal	120,000	0.330
13/12/2006	Disposal	120,000	0.335
14/12/2006	Acquisition	4,000	0.325
18/12/2006	Disposal	200,000	0.355
		200,000	0.360
20/12/2006	Acquisition	100,000	0.415
	Disposal	100,000	0.425
		100,000	0.435
		100,000	0.465
28/12/2006	Acquisition	76,000	0.395
		100,000	0.400
2/1/2007	Disposal	100,000	0.435
9/1/2007	Disposal	36,000	0.420
10/1/2007	Disposal	100,000	0.430
		100,000	0.440
15/1/2007	Acquisition	160,000	0.400
17/1/2007	Acquisition	100,000	0.390
		200,000	0.395
18/1/2007	Acquisition	4,000	0.385
		100,000	0.390
		160,000	0.395

APPENDIX III**GENERAL INFORMATION**

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
23/1/2007	Acquisition	100,000	0.385
		100,000	0.380
7/2/2007	Acquisition	100,000	0.340
13/2/2007	Acquisition	100,000	0.350
		100,000	0.345
21/2/2007	Disposal	200,000	0.365
1/3/2007	Disposal	100,000	0.330
2/3/2007	Acquisition	100,000	0.310
7/3/2007	Acquisition	200,000	0.285
12/3/2007	Acquisition	8,000	0.285
	Disposal	200,000	0.290
		200,000	0.295
13/3/2007	Disposal	100,000	0.305
		200,000	0.310
		60,000	0.320
16/3/2007	Acquisition	8,000	0.325
27/3/2007	Acquisition	100,000	0.330
		100,000	0.340
		100,000	0.345
30/3/2007	Acquisition	100,000	0.335
		100,000	0.340
12/4/2007	Acquisition	100,000	0.350
		60,000	0.355
17/4/2007	Acquisition	100,000	0.345
23/4/2007	Disposal	200,000	0.365
24/4/2007	Disposal	200,000	0.395
25/4/2007	Acquisition	100,000	0.365

Mr Ng Kung Chit Raymond

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
22/11/2006	Acquisition	80,000	0.330
19/12/2006	Disposal	200,000	0.365

Mr Yuen Pak Lau Raymond

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
22/11/2006	Acquisition	100,000	0.325
7/12/2006	Acquisition	80,000	0.310
22/12/2006	Disposal	68,000	0.415
24/1/2007	Disposal	112,000	0.375

Mr Chan Yau Ching Bob

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
20/12/2006	Disposal	1,890	0.380
		28,860	0.400

Mr Ren Heda

Date of dealing	Nature of dealings	Number of CFSG Shares under the transaction	Transaction Price per CFSG Share (HK\$)
18/12/2006	Disposal	1,000,000	0.345
		60,000	0.350
		340,000	0.345
		100,000	0.355
21/12/2006	Disposal	100,000	0.420
22/12/2006	Disposal	100,000	0.420
2/2/2007	Acquisition	460,000	0.350
		40,000	0.345

6. ARRANGEMENT IN CONNECTION WITH THE OFFERS

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding existing whereby any securities to be acquired pursuant to the Offers will be transferred, charged or pledged to any other persons.
- (ii) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror, or with any person who is acting in concert with the Offeror, or with CFSG or with any person who is an associate of CFSG by virtue of classes (1), (2), (3) and (4) of the definition of “associate” as described by the Takeovers Code.
- (iii) there was no agreement, arrangement or understanding existing between the Offeror or any parties acting in concert with it and any of the CFSG Directors, recent CFSG Directors, CFSG Shareholders or recent CFSG Shareholders having any connection with or dependent upon the Offers.
- (iv) no agreements or arrangements to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a condition to the Offers.

- (v) none of the Offeror or parties acting in concert with it had any arrangements with any persons of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.
- (vi) there was no arrangement to which the Offeror is a party (whether by way of option, indemnity or otherwise) in relation to the CFSG Shares and which might be material to the Offers.

7. MARKET PRICES

The highest and lowest closing prices per CFSG Share as quoted on the Stock Exchange during the six-month-period immediately preceding the date of the Announcement up to the Latest Practicable Date were HK\$0.550 on 29 May 2007 and HK\$0.280 on both 8 and 9 March 2007 respectively.

The table below sets out the closing prices per CFSG Share as quoted on the Stock Exchange on (i) the last Business Day of each of the calendar months during the period commencing six months preceding the Announcement and ending on the Latest Practicable Date on which trading of the CFSG Shares took place; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per CFSG Share (HK\$)
30 November 2006	0.320
29 December 2006	0.430
31 January 2007	0.355
28 February 2007	0.330
30 March 2007	0.335
30 April 2007	0.360
Last Trading Day	0.385
31 May 2007	0.540
Last Practicable Date	0.530

8. MATERIAL CONTRACTS

Save as disclosed below, no contracts were entered into by CFSG or its subsidiaries which were not in the ordinary course of business and are or may be material in the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date.

- (a) the placing agreement dated 24 August 2005 entered into between CASH Retail Management Group Limited (“CRMG”) and Celestial Securities Limited (“CSL”), a wholly-owned subsidiary of CFSG, in relation to the proposed placing of 45,000,000 shares in CRMG at a placing price of HK\$0.45 per share;
- (b) the sale and purchase agreement dated 15 September 2005 entered into between Vantage Giant Limited, a wholly-owned subsidiary of CFSG, as purchaser and Mr Lin Che Chu George as vendor in relation to the acquisition by CFSG Group of 100% interest in Netfield Technology Limited including all the outstanding loans due from Netfield Technology Limited at a consideration of HK\$110,000,000;
- (c) the placing agreement dated 15 September 2005 entered into between CFSG and CSL in relation to the proposed placing of 155,000,000 CFSG Shares at a placing price of HK\$0.40 per CFSG Share;
- (d) the agreement dated 15 September 2005 entered into between CFSG and CIGL, in relation to the proposed issue of 120,000,000 new CFSG Shares for subscription at the subscription price of HK\$0.40 per CFSG Share to CIGL;
- (e) the place down and top-up agreement dated 22 September 2005 entered into among CFSG, CIGL and CSL in relation to (i) the place down by CSL on behalf of CIGL of 145,000,000 CFSG Shares at a placing price of HK\$0.40 per CFSG Share, and (ii) a top up by CIGL of 145,000,000 new CFSG Shares at a subscription price of HK\$0.40 per CFSG Share;
- (f) the underwriting agreement dated 10 October 2006 entered into between CASH and Celestial Capital, in relation to the underwriting for a 2-for-1 rights issue of CASH at a subscription price of HK\$0.28 per CASH Share; and
- (g) the sale and purchase agreement dated 9 January 2007 entered into between CIGL as the purchaser and Vantage Giant Limited, as vendor in relation to the acquisition by CASH Group of 100% interest in Netfield Technology Limited including all the outstanding loans due from Netfield Technology Limited at a consideration of the higher of HK\$120 million or the valuation of the online game business operated by the Netfield Group as at 31 December 2006.

9. ARRANGEMENT AFFECTING THE CFSG DIRECTORS

As at the Latest Practicable Date,

- (i) no benefit (other than statutory compensation) would be given to any CFSG Director as compensation for loss of office or otherwise in connection with the Offers.
- (ii) no agreements or arrangements were entered into between any CFSG Director and any other person which is conditional on or dependent upon the outcome of the Offers or is otherwise connected with the Offers.
- (iii) no material contracts were entered into by the Offeror in which any CFSG Director has a material personal interest.

10. SERVICE CONTRACTS

As at the Latest Practicable Date, (i) none of the CFSG Directors entered into or amended any service contracts within the six months prior to the date of the Announcement with CFSG or any of its subsidiaries or associated companies; (ii) there was no service contract in force, which was continuous contract with a notice period of 12 months or more; and (iii) there was no fixed term contract with more than 12 months to run irrespective of the notice period, between any CFSG Directors and CFSG or any of its subsidiaries or associated companies.

11. LITIGATIONS

- (a) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited (“CISI”), a wholly-owned subsidiary of CFSG, (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 CFSG 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 CFSG Group.
- (b) On 29 August 2002, Pang Po King Cannie (“Pang”) filed a statement of claim against CSL, 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 CFSG 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 the date of trial is fixed from 8 to 11 and 14 January 2008.

Save for the litigations disclosed above, as at the Latest Practicable Date, no member of the CFSG Group was engaged in any litigation, claim or arbitration of material importance which was known to the CFSG Directors to be pending or threatened against any member of the CFSG Group or to which CFSG is or may become, a party.

12. EXPERTS AND CONSENTS

Each of Celestial Capital and First Shanghai has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its letter and/or references to its name, in the form and context in which it respectively appears.

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this document:

Name	Qualifications
Celestial Capital	A corporation licensed to carry on businesses in types 1 (dealings in securities) and 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
First Shanghai	A corporation licensed to carry on business in type 6 regulated activity (advising on corporate finance) and the independent financial adviser to the Independent Board Committee

13. GENERAL INFORMATION

- (a) As at the Latest Practicable Date, the following persons had irrevocably committed themselves respectively not to accept the Offers:

The Share Offer:

Name of CFSG Shareholders	Number of undertaken CFSG Shares
ARTAR	207,636,000
CFSG Directors (other than those who are also CASH Directors)	
Mr Cheng Man Pan Ben	1,288,000
Mr Cheng Shu Shing Raymond	1,100,000
Certain public CFSG Shareholders	50,888,000
	<hr/>
	260,912,000
	<hr/> <hr/>

The Option Offer:

All CFSG Option Holders have given irrevocable undertakings respectively to the Offeror that they will not accept the Option Offer and will not exercise the CFSG Options before the close of the Offers.

- (b) The principal members of parties acting in concert with the Offeror include the Offeror, Cash Guardian Limited, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth, Mr Lin Che Chu George (all being the executive CASH Directors).
- (c) The registered office of the Offeror is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is at 21/F The Center, 99 Queen's Road Central, Hong Kong. The directors of the Offeror are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Lin Che Chu George.
- (d) The registered office of Cash Guardian Limited is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is at 21/F The Center, 99 Queen's Road Central, Hong Kong.
- (e) The correspondence address of Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Lin Che Chu George is at 21/F The Center, 99 Queen's Road Central, Hong Kong.
- (f) The registered office and correspondence address of Celestial Capital are at 21/F The Center, 99 Queen's Road Central, Hong Kong and 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong respectively.
- (g) The registered office of CFSG is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (h) The secretary of CFSG is Ms Luke Wing Sheung Suzanne.
- (i) CFSG's share registrar and transfer office is Standard Registrars Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (j) As at the Latest Practicable Date, the CASH Board comprised Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth, Mr Lin Che Chu George, Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.
- (k) The registered office of CASH is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (l) The registered office of First Shanghai is at 19/F Wing On House, 71 Des Voeux Road Central, Hong Kong.
- (m) The English text of this document and the Form of Acceptance shall prevail over the Chinese text in the case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the office of CFSG at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours from 9:00 am to 6:00 pm on any Business Day; and on the website of CFSG (www.cfsg.com.hk) and the SFC (www.sfc.hk) until (and including) the Closing Date, being 28 June 2007:

- (a) the memorandum of association and the bye-laws of CFSG;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of CFSG for the two years ended 31 December 2006;
- (d) the letter from Celestial Capital, the text of which is set out on pages 7 to 14 of this document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this document;
- (f) the letter from First Shanghai, the text of which is set out on pages 24 to 44 of this document;
- (g) the written consents from the experts referred to in the section headed "Experts and consents" in this Appendix;
- (h) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;
- (i) the banking facility letter from Wing Hang Bank, Limited in relation to the loan facility of HK\$130,000,000 granted by it for the Offers;
- (j) the irrevocable undertakings from each of the parties acting in concert with the Offeror (including the CASH Directors), CFSG Directors (other than those who are also CASH Directors), ARTAR and certain CFSG Shareholders that they will not accept the Share Offer; and
- (k) the irrevocable undertakings from each of the CFSG Option Holders that they will not accept the Option Offer and will not exercise the CFSG Options before the close of the Offers.