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

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

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**CASH FINANCIAL SERVICES GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 8122)

**DISCLOSEABLE TRANSACTION
FORMATION OF A JOINT VENTURE**

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

18 July 2007

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

	<i>Pages</i>
Definitions	1
 Letter from the Board	
Introduction	4
The Joint Venture	5
Reasons for the Joint Venture	8
Information on the Group	8
Information on China Able	8
Financial information of China Able	8
Effects of the formation of the Joint Venture on the earnings, assets and liabilities of the Group	8
General	9
Additional information	9
Appendix – General information	10

DEFINITIONS

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

“Announcement”	the announcement jointly made by the Company and CASH on 27 June 2007 in respect of, among other things, the Joint Venture
“associate(s)”	has the same meaning ascribed in the GEM Listing Rules
“Board”	the board of the Directors
“CASH”	Celestial Asia Securities Holdings Limited (stock code: 1049), the ultimate controlling Shareholder, a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange
“Changyu”	昌裕(上海)房地產經營有限公司 (translated as Changyu (Shanghai) Real Estate Management Co., Ltd.), an indirect wholly-owned subsidiary of China Able and incorporated in the PRC
“China Able”	China Able Limited, a company incorporated in the British Virgin Islands on 23 May 2007, which is owned by Marvel Champ, Nanyang Industrial (China) and Fit Team in equal shares
“Company”	CASH Financial Services Group Limited (stock code: 8122), a company incorporated in Bermuda, whose Shares are listed on the GEM
“Directors”	the directors of the Company
“Fit Team”	Fit Team Holdings Limited, a company incorporated in the British Virgin Islands, which is owned as to 50% by VSC and as to 50% by a third party, which is an Independent Third Party
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries, including Marvel Champ
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	to the best of the knowledge, information and belief of the Board having made all reasonable enquiry, such company(ies) or person(s) and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company

DEFINITIONS

“Joint Venture”	the joint venture formed through China Able for the acquisition, ownership and management of the Property
“JV Partners”	the shareholders from time to time of China Able
“Latest Practicable Date”	16 July 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Marvel Champ”	Marvel Champ Investments Limited, a joint venture company incorporated in the British Virgin Islands, which is indirectly owned as to 65% by the Company and as to 35% by an Independent Third Party
“MOU”	a memorandum of understanding dated 27 June 2007 entered into between the Vendor and Changyu for the acquisition of the Property, which is legally binding
“Nanyang Holdings”	Nanyang Holdings Limited (stock code: 212), a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange, and an Independent Third Party
“Nanyang Industrial (China)”	Nanyang Industrial (China) Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of Nanyang Holdings, and an Independent Third Party
“PRC”	the People’s Republic of China
“Property”	“靜安陽光企業中心” (translated as Jingan Sunshine International Business Center) located at no. 535-561 Anyuan road, Jiangan district, Shanghai
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the joint venture shareholders’ agreement dated 27 June 2007 entered into among Marvel Champ, Nanyang Industrial (China), Fit Team, China Able and VSC in respect of China Able

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed in the GEM Listing Rules
“Total Property Costs”	the consideration/price for the Property amounting to RMB420 million (approximately HK\$429 million) pursuant to the MOU plus an estimated RMB30 million (approximately HK\$30.6 million) working capital
“Vendor”	上海靜安城建投資有限公司 (translated as Shanghai Jingan Construction and Investment Co., Ltd.), a state-owned company incorporated in the PRC, and an Independent Third Party, being the owner of the Property
“VSC Group”	VSC and its subsidiaries
“VSC”	Van Shung Chong Holdings Limited (stock code: 1001), a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange and an Independent Third Party
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong
“RMB”	Renminbi, the currency of the PRC
“US\$”	United States dollars, the currency of the United States

For illustration purposes, amounts in RMB in this circular have been translated into HK\$ at HK\$1.00 = RMB0.979, and amounts in US\$ have been translated into RMB at US\$1.00 = RMB7.620.

LETTER FROM THE BOARD



時 富 金 融 服 務 集 團

CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 8122)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee
WONG Kin Yick Kenneth
LAW Ping Wah Bernard
CHENG Man Pan Ben

Independent non-executive:

CHENG Shu Shing Raymond
HUI Ka Wah Ronnie
LO Kwok Hung John

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:

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

18 July 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE

INTRODUCTION

On 27 June 2007, the Board made the Announcement that, among other things, the Company through Marvel Champ (a company owned as to 65% by the Company and as to 35% by an Independent Third Party) formed a joint venture with Nanyang Industrial (China) (a wholly-owned subsidiary of Nanyang Holdings) and Fit Team (a company owned as to 50% by VSC and as to 50% by another Independent Third Party) in equal shares through the joint venture entity, China Able. The purpose of China Able is to acquire, own and hold the Property through its indirect wholly-owned subsidiary, Changyu.

The Board further announced in the Announcement that on 27 June 2007, among other things, Changyu entered into a MOU for the purchase of the Property from the Vendor at the price of RMB420 million (approximately HK\$429 million).

LETTER FROM THE BOARD

As the percentage ratios of the maximum commitment to the Joint Venture shared by the Company (amounts to one-third (1/3) of the Total Property Costs) exceed 5% but are less than 25% of the Company, the formation of the Joint Venture constitutes a discloseable transaction of the Company under the GEM Listing Rules.

The purpose of this circular is to give you further information regarding the formation of the Joint Venture.

THE JOINT VENTURE

1. The Shareholders' Agreement

Date:	27 June 2007.
Parties:	Marvel Champ, Nanyang Industrial (China), Fit Team, China Able and VSC.
Purpose:	To govern the respective rights and obligations of Marvel Champ, Nanyang Industrial (China) and Fit Team as JV Partners and the governance of the affairs of China Able and its subsidiaries.
Business:	The business of the Joint Venture is to acquire the Property pursuant to the MOU and to own, hold and manage the Property through Changyu, China Able's indirect wholly-owned subsidiary.
Constitution of the board:	A maximum of nine directors and the number of directors to be appointed by each JV Partner shall be determined on a pro-rata basis reflecting the ratio of their then respective shareholding percentage in China Able; initially, based on current shareholding percentages, the board comprises six directors, of which two are appointed by Marvel Champ, two are appointed by Nanyang Industrial (China) and two are appointed by Fit Team.
Pre-emption rights:	The Shareholders' Agreement contains pre-emption rights exercisable by the other JV Partners if any JV Partner wishes to dispose of its shares in China Able.
Contribution to investment amount:	The registered capital and total investment amount of Changyu will be increased to US\$30 million (approximately RMB228.6 million) and US\$60 million (approximately RMB457.2 million) respectively.

LETTER FROM THE BOARD

To fund the Joint Venture, each of the JV Partners agrees to contribute RMB80 million (approximately HK\$81.7 million). The balance of the consideration of the Total Property Costs in the amount of RMB210 million (approximately HK\$214.5 million) will be funded by bank loans with the Property as collateral security. If required by the bank providing the loan, each of the JV Partners will provide guarantees on a several basis in proportion to their respective equity interests in China Able.

The JV Partners' initial contribution to the Joint Venture through China Able in the amount of RMB240 million (approximately US\$31.4 million) shall be made in equal proportions, i.e. one-third (1/3) by each of Marvel Champ, Nanyang Industrial (China), and Fit Team and has been / will be paid in the manner as follows:

- (i) as capital contribution, the sum of RMB84 million (approximately US\$11.0 million) paid on the date of the Shareholders' Agreement (i.e. 27 June 2007);
- (ii) as shareholders' loans, the sum of RMB30 million (approximately US\$3.9 million) paid on the date of the Shareholders' Agreement (i.e. 27 June 2007);
- (iii) as capital contribution, the sum of RMB42 million (approximately US\$5.5 million) be paid on or before 30 July 2007;
- (iv) as capital contribution, the sum of RMB84 million (approximately US\$11.0 million) be paid on or before 30 August 2007.

Condition precedent:

The obligations under the Shareholders' Agreement shall be conditional upon:–

- (a) each of the JV Partners obtaining all necessary approvals from its shareholders for execution of the Shareholders' Agreement in accordance with the requirements under the Listing Rules (if any); and
- (b) the execution of the MOU.

As at the Latest Practicable Date, all the conditions precedent abovementioned had been fulfilled.

LETTER FROM THE BOARD

2. The MOU

On 27 June 2007, Changyu entered into the MOU for the purchase of the Property from the Vendor at the consideration of RMB420 million (approximately HK\$429 million) and the payment schedule for the consideration is as follows:

- (i) 20% thereof (i.e. RMB84 million (approximately HK\$85.8 million)) to be payable within 5 working days of the completion of the construction of Property (including structural inspections), which is expected to be in July 2007;
- (ii) 10% thereof (i.e. RMB42 million (approximately HK\$42.9 million)) to be payable within 1 month from the receipt of the instalment in (i) above;
- (iii) 20% thereof (i.e. RMB84 million (approximately HK\$85.8 million)) to be payable upon the Vendor obtaining the building ownership certificate, which is expected to be between 20 August 2007 to 5 September 2007; and
- (iv) the balance thereof (i.e. 50%) (i.e. RMB210 million (approximately HK\$214.5 million)) to be payable within 7 working days of the signing of the formal agreement for sale and purchase “上海市商品房出售合同”, which is expected to take place in around 18 September 2007.

3. The Property

The name of the Property is “靜安陽光企業中心” (translated as Jingan Sunshine International Business Center) located at no. 535-561 Anyuan road, Jiangan district, Shanghai. The Property comprises a 11-storey office tower, which is erected upon single-storey retail podium above single-storey car parking basement. The total gross floor area is approximately 26,924.94 square metres comprising approximately 22,139.64 square metres of office space, 797.28 square metres of shop space, 3,856.39 square metres of car park basement (comprising 118 car park spaces) and 131.63 square metres of public utility room. The market value of the Property was estimated at RMB496 million (approximately HK\$506.6 million) by an independent professional valuer based on its market valuation. The term of the land use right of the Property is 50 years from 15 July 2003.

4. Source of Funding

The Company, through Marvel Champ, will fund its contribution to the Joint Venture by internal resources and bank borrowings. As at the Latest Practicable Date, the Company's (through Marvel Champ) maximum commitment (including both capital contribution and financial support by way of provision of shareholders' loans and guarantee, if any, for the benefit of the Joint Venture) to the Joint Venture is one-third (1/3) of the Total Property Costs.

LETTER FROM THE BOARD

5. Accounting Treatment

China Able will be recorded in the financial statements of the Company using the equity method of accounting in accordance with Hong Kong Financial Reporting Standards. The indirect shareholding interest in China Able will be disclosed as “interests in associates” on the balance sheet, and any profit and loss of China Able will be disclosed as “results attributable to associates” in the income statement of the Company.

REASONS FOR THE JOINT VENTURE

The Group is also engaged in investment holding. The formation of China Able is for the purpose of participation in the Joint Venture for property investment in the PRC with other business partners. The Board believes that the Joint Venture provides a good opportunity for the Group to invest in, and benefit from the property investment in the PRC. The Company and/or CASH may take certain floors of the Property as headquarters’ office in the PRC. The Board believes that the formation of the Joint Venture and the terms of the Shareholders’ Agreement are on normal commercial terms and such terms are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE GROUP

The current principal activities of the 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; and (d) other financial services.

INFORMATION ON CHINA ABLE

China Able is a company incorporated on 23 May 2007, the purpose of which is to acquire, own and hold the Property through its indirect wholly-owned subsidiary, Changyu.

FINANCIAL INFORMATION OF CHINA ABLE

As China Able is a newly formed company incorporated on 23 May 2007 for the purpose of the Joint Venture, it does not have any net profits for the preceding two years.

EFFECTS OF THE FORMATION OF THE JOINT VENTURE ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The formation of the Joint Venture would not have any immediate effect on the earnings, assets and liabilities of the Group.

LETTER FROM THE BOARD

GENERAL

As the percentage ratios of the maximum commitment to the Joint Venture shared by the Company (amounts to one-third (1/3) of the Total Property Costs) under Rule 19.06 of the GEM Listing Rules exceed 5% but are below 25%, the formation of the Joint Venture constitutes a discloseable transaction of the Company under the GEM Listing Rules.

The current principal activities of CASH and its subsidiaries consist of (a) the provision of the brokerage and financial services via the Group mentioned in the section “Information on the Group” above; (b) retailing of furniture and household items and trendy digital products; (c) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding.

Nanyang Holdings is an investment company and the principal businesses of its group include textile business, property investment and investment in securities.

The principal businesses of Fit Team’s group are trading and stockholding of construction materials, manufacturing and trading of industrial products, property investment and finance business.

Based on the above information provided by Nanyang Holdings and Fit Team and, to the best of the knowledge, information and belief of the Board after having made all reasonable enquiries, each of Nanyang Holdings and Fit Team and its ultimate beneficial owners is an Independent Third Party.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules were as follows:

A. The Company

1. Long positions in the ordinary Shares

Name	Capacity	Number of Shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	711,978,570 *	49.55
Wong Kin Yick Kenneth	Beneficial owner	10,860,000	–	0.76
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.20
Cheng Man Pan Ben	Beneficial owner	788,000	–	0.05
Cheng Shu Shing Raymond	Beneficial owner	1,100,000	–	0.08
		<u>30,012,000</u>	<u>711,978,570</u>	<u>51.64</u>

* The Shares were held as to 671,586,570 Shares by Celestial Investment Group Limited (“CIGL”), a wholly-owned subsidiary of CASH, and as to 40,392,000 Shares by Cash Guardian Limited (“Cash Guardian”). Mr Kwan Pak Hoo Bankee was deemed to be interested in all these Shares as a result of his interests in CASH through Cash Guardian as disclosed in the “Substantial Shareholders” below.

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

Name	Date of grant	Exercise period	Exercise price per Share (HK\$)	Number of options outstanding	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.42
Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296	5,000,000	0.35
Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.42
Cheng Man Pan Ben	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.42
Lo Kwok Hung John	7/7/2006	7/7/2006 – 31/7/2008	0.296	1,000,000	0.07
				24,000,000	1.68

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

Name	Number of Shares	Number of underlying shares	Aggregate in number	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	711,978,570	6,000,000	717,978,570	49.97
Wong Kin Yick Kenneth	10,860,000	5,000,000	15,860,000	1.11
Law Ping Wah Bernard	17,264,000	6,000,000	23,264,000	1.62
Cheng Man Pan Ben	788,000	6,000,000	6,788,000	0.47
Cheng Shu Shing Raymond	1,100,000	–	1,100,000	0.08
Lo Kwok Hung John	–	1,000,000	1,000,000	0.07
	741,990,570	24,000,000	765,990,570	53.32

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

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	246,042,564 *	36.60
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.14
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
		<u>7,707,800</u>	<u>246,042,564</u>	<u>37.75</u>

* The shares were held by Cash Guardian. On 12 June 2007, Cash Guardian and CASH entered into a subscription agreement to subscribe for a total of 50,000,000 new shares of CASH at HK\$0.52 per share. The transaction will be subject to conditions including the approval of the independent shareholders of CASH at a special general meeting to be held on 23 July 2007. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the “Substantial Shareholders” below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options outstanding	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.60
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.37
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.60
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.37
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.60
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.37
				<u>19,500,000</u>	<u>2.91</u>

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

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	246,042,564	6,500,000	252,542,564	37.57
Law Ping Wah Bernard	7,644,300	6,500,000	14,144,300	2.11
Wong Kin Yick Kenneth	–	6,500,000	6,500,000	0.97
Cheng Man Pan Ben	63,500	–	63,500	0.01
	<u>253,750,364</u>	<u>19,500,000</u>	<u>273,250,364</u>	<u>40.66</u>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (<i>Note 1</i>)	Trustee of a discretionary trust	711,978,570	49.55
Cash Guardian (<i>Note 1</i>)	Interest in a controlled corporation	711,978,570	49.55
CASH (<i>Note 1</i>)	Interest in a controlled corporation	671,586,570	46.74
CIGL (<i>Note 1</i>)	Beneficial owner	671,586,570	46.74
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (<i>Note 2</i>)	Interest in a controlled corporation	207,636,000	14.45
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (<i>Note 2</i>)	Beneficial owner	207,636,000	14.45

Notes:

- (1) This refers to the same number of 711,978,570 Shares which were held as to 671,586,570 Shares by CIGL (a wholly-owned subsidiary of CASH), and as to 40,392,000 Shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 36.60% by Cash Guardian. Jeffnet Inc held these Shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests" above.

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

Save as disclosed above, as at the Latest Practicable Date, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued Share capital of the Company.

4. SERVICE CONTRACT

As at the Latest Practicable Date, no Director has a service contract with the Company in respect of his service to the Company in the capacity of a Director which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

6. LITIGATION

- (a) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited (“CISI”), a wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK\$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.
- (b) On 29 August 2002, Pang Po King Cannie (“Pang”) filed a statement of claim against Celestial Securities Limited (“CSL”), a wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. The Directors do not envisage 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 as above, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance which is known to the Directors to be pending or threatened against any member of the Group.

7. INTERESTS OF DIRECTORS IN CONTRACTS

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

8. MISCELLANEOUS

- (a) The compliance officer of the Company is Mr Cheng Man Pan Ben, *a Certified Public Accountant*.
- (b) The qualified accountant of the Company is Mr Wong Hon Ming Wallace, *a Certified Public Accountant*.
- (c) The secretary of the Company is Ms Luke Wing Sheung Suzanne, *a fellow member of the Institute of Chartered Secretaries and Administrators*.
- (d) The Company has maintained an audit committee. The primary duties of the audit committee are to review the Company's annual report and accounts, half yearly reports and quarterly report and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive Directors, namely, Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John. The biographical details of the audit committee members are set out below:

Raymond Shu-shing CHENG

Independent non-executive Director, 51

Mr Raymond Cheng joined the Independent Board on 18 September 2002. Mr Cheng has extensive experience in watch manufacturing industry and is the managing director of a watch manufacturing and trading company in Hong Kong. Mr Cheng is also an advisor of The Federation of Hong Kong Watch Trades and Industries Limited. Mr Cheng is a fellow member of The Professional Validation Centre of Hong Kong Business Sector. He is also a winner of The Young Industrialist Awards for the Year 1992. Mr Cheng is the chairman of the Audit Committee and the Remuneration Committee of the Company.

Ronnie Ka-wah HUI

Independent non-executive Director, 43, MBBS, MRCP, DCH, FHKAM, FHKCP, CFA

Dr Ronnie Hui joined the Independent Board on 3 November 2004. Dr Hui is a specialist in Paediatrics and is the principal of a private medical clinic in Hong Kong since 1991. He is a Chartered Financial Analyst charterholder and is currently the head of corporate investment of a listed company in Hong Kong and members of various public organisations. Dr Hui is a member of the Audit Committee and the Remuneration Committee of the Company. Dr Hui has also held directorships in the following companies which are listed on the Stock Exchange:

- (i) Dr Hui was an independent non-executive director and a member of the audit committee of CASH Retail Management Group Limited ("CRMG") (stock code: 996) during the period from 30 March 2004 to 28 February 2006, and a member of the remuneration committee of CRMG during the period from 13 June 2005 to 28 February 2006;

- (ii) Dr Hui is an independent non-executive director and a member of the audit committee and a member of the remuneration committee of E2-Capital (Holdings) Limited (stock code: 378), a listed company in Hong Kong;
- (iii) Dr Hui is an independent non-executive director and a member of the audit committee and a member of the remuneration committee of Winbox International (Holdings) Limited (stock code: 474), a listed company in Hong Kong; and
- (iv) Dr Hui is an executive director of Hong Kong Health Check and Laboratory Holdings Company Limited (stock code: 397), a listed company in Hong Kong.

John Kwok-hung LO

Independent non-executive Director, 49, MBA, FCCA, LL.B

Mr John Lo joined the Independent Board on 27 September 2005. Mr Lo has extensive experience in the accounting, auditing and finance field and is the managing partner of a certified public accounting firm in Hong Kong. Mr Lo is also a member of the Audit Committee of the Company. Mr Lo has also held directorships in the following companies which are listed on the Stock Exchange:

- (i) Mr Lo was an independent non-executive director and a member of the audit committee of the Company during the period from 11 September 2002 to 3 November 2004;
 - (ii) Mr Lo was an independent non-executive director and a member of the audit committee of CRMG during the period from 3 May 2001 to 3 November 2004; and
 - (iii) Mr Lo was an independent non-executive director of New Times Group Holdings Limited (stock code: 166) during the period from 20 November 2002 to 6 September 2004.
- (e) The head office and the principal place of business of the Company in Hong Kong is at 21/F The Center, 99 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
 - (f) The principal share registrars and transfer office of the Company in Bermuda is The Bank of Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Standard Registrars Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
 - (g) The English text of this circular shall prevail over the Chinese text.