RELATIONSHIP WITH THE CASH GROUP

CASH is the controlling shareholder of the Company, indirectly holding approximately 45.27% of the issued share capital of the Company. CASH is a Main Board listed conglomerate (stock code: 1049) engaged in provision of financial services, home improvement, lifestyle products and services as well as online game business.

The Directors confirm that the Group is currently capable of and will, after the Introduction, continue to be capable of managing its business independent of its controlling shareholder after the Introduction. The Group operates its business independently in different locations from that of the CASH Group.

The Directors confirm that the other businesses of the CASH Group (other than the businesses of the Group) and/or any other businesses owned by Mr. Kwan Pak Hoo Bankee, Chairman and the controlling shareholder of CASH do not compete, or are not likely to compete, either directly or indirectly with the businesses of the Group.

The Directors confirm that as at the Latest Practicable Date, none of them nor any of the management Shareholders (as defined under the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group.

NON-COMPETITION UNDERTAKING

Pursuant to a deed of undertaking dated 25 January 2008 entered into between CASH and the Company, CASH has undertaken to the Company that so long as:–

(a) the securities of the Company are and remain listed on the Main Board of the Stock Exchange; and

(b) CASH is interested in not less than 25% of the issued share capital of the Company,

CASH will not, itself or through any entities or companies controlled by it or its associates (excluding the Group) carry on or be engaged or interested directly or indirectly in any business that is in competition with that of the Group being

(a) traditional and online securities, futures and options, foreign exchange and commodities brokerage businesses;

(b) margin financing and money lending;

(c) investment banking services including corporate finance, mergers and acquisitions advisory, capital raising, and underwriting; and

(d) asset management, wealth management and securities related research services.

CONNECTED TRANSACTIONS WITH CASH AND ITS ASSOCIATES

Apart from the convertible loan notes issued to CIGL on 29 September 2001 as disclosed in note 39 of the Accountants' Report, the Group had the following non-exempt connected transactions with CASH and its associates during the Track Record Period:

Connected transactions exempt from the independent Shareholders' approval requirements

(1) Placing agent commission received from CASH

On 24 July 2007, Celestial Securities entered into a top up agreement and a green-shoe agreement with CASH and Cash Guardian Limited (the controlling shareholder of CASH). Pursuant to the above two agreements, Celestial Securities was appointed as the placing agent to procure the placing of 130,300,000 existing shares in CASH held by Cash Guardian Limited to placees at the placing price of HK$2.02 per share. Celestial Securities received placing agent commission of approximately HK$2.6 million, being 1% on the aggregate placing amount received for the placing shares. CASH was the indirect controlling shareholder of the Company, and therefore a connected person of the Company under the GEM Listing Rules. Such appointment of Celestial Securities as the placing agent was a connected transaction of the Company under the GEM Listing Rules. As the amount of commission involved was less than 2.5% of each of the percentage ratios (other than the profits ratio) of the Company, it was only subject to the announcement requirements and was exempt from the independent Shareholders' approval requirement pursuant to rule 20. 32(1) of the GEM Listing Rules.

Non-exempt connected transactions

(2) Issue of 132,000,000 new Shares to CIGL

On 16 August 2004, the Company entered into a share agreement with CIGL, pursuant to which, the Company issued 132,000,000 new Shares to CIGL at a subscription price of HK$0.27 per Share. CIGL was a substantial Shareholder and hence a connected person of the Company pursuant to the GEM Listing Rules. The transaction was a connected transaction of the Company and was approved by the independent Shareholders at a special general meeting held on 20 September 2004 and had been completed.

(3) Issue of 120,000,000 new Shares to CIGL

On 22 September 2005, the Company entered into a subscription agreement with CIGL, pursuant to which, the Company issued 120,000,000 new Shares to CIGL at a subscription price of HK$0.40 per Share. CIGL was a substantial Shareholder and hence a connected person of the Company pursuant to the GEM Listing Rules. The transaction was a connected transaction of the Company and was approved by the independent Shareholders at a special general meeting of the Company held on 20 December 2005 and had been completed on 10 January 2006.

(4) Disposal of Netfield to CIGL

On 9 January 2007, the Group entered into an agreement with CIGL to sell the entire issued share capital of Netfield to CIGL 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. The final consideration was fixed at HK$120 million. CIGL was a substantial Shareholder and hence a connected person of the Company pursuant to the GEM Listing Rules. The transaction was a connected transaction of the Company and was approved by independent Shareholders at a special general meeting held on 23 April 2007 and had been completed on 1 June 2007.

Non-exempt continuing connected transactions

(5) Redeemable convertible loan note

On 28 September 2001, the Company issued a redeemable convertible loan note of principal amount of HK$438,000,000 to a wholly-owned subsidiary of CASH as consideration for the acquisition of traditional financial services business. The transaction was approved by independent Shareholders at a special general meeting of the Company held on 31 August 2001.

The convertible loan note bore an interest rate of 2% per annum from the date of issue to the final date of repayment on or before 31 December 2006. The convertible loan note was convertible into shares of HK$0.10 each in the Company at the initial conversion price of HK$0.15 per share. With effect from the close of business on 25 April 2002, the conversion price of the convertible loan note was revised to HK$3.00 per share due to share consolidation. With effect from 4 November 2003, the conversion price of the convertible loan note was further revised to HK$1.47 per Share due to rights issue of the Company. With effect from 24 April 2004, the conversion price of the convertible loan note was further revised to HK$1.13 per Share due to the rights issue of the Company.

The Company had the right to repay early part or all of the principal amount of the convertible loan note and it redeemed part of the convertible loan note of a total principal amount of HK$177,000,000 and HK$60,900,000 during 2001 and 2002. In March 2003, the principal amount of convertible loan note of HK$75,000,000 was converted into 25,000,000 ordinary Shares of HK$0.10 each at a conversion price of HK$3.00 per Share. In 2004, the Company had made full repayment of the outstanding amount of the convertible loan note of HK$125,100,000. As at 31 December 2004, the convertible loan note was fully repaid.

(6) Margin financing arrangement

On 8 February 2007, the Company intended to enter into margin financing arrangement (the "Margin Financing Arrangement") with certain connected persons of the Company. The Margin Financing Arrangement was approved by the independent Shareholders at the special general meeting held on 19 March 2007. Pursuant to the Margin Financing Arrangement, the Company entered into written margin financing agreements with each of Mr. Kwan Pak Hoo Bankee, Mr. Law Ping Wah and Mr. Wong Kin Yick Kenneth (each an executive director of CASH and the Company), Mr. Cheng Man Pan (an executive Director of the Company) and Mr. Lin Che Chu George (an executive director of CASH), Cash Guardian Limited (a substantial shareholder of CASH), ARTAR (a substantial Shareholder of the Company) and Kawoo Finance Limited and E-Tailer Holding Limited (wholly-owned subsidiaries of CASH), all of which are connected persons of the Company (together referred to as the "Connected Clients"), under which the Company extended margin financing facilities to the Connected Clients for trading in securities, at an annual cap of up to HK$4 billion to ARTAR and of up to HK$30 million to each of the other Connected Clients for each of the three financial years ending on 31 December 2009 and are on terms and rates which are the same as those offered by the Company to its other margin financing clients. The margin financing facilities are repayable on demand and secured by listed securities held by the respective Connected Clients. The annual caps of the Margin Financing Arrangement were set after arm's length negotiation between the Group and the Connected Clients with reference to the historical and anticipated trading volume of the Connected Clients.

The Margin Financing Arrangement extended to the Connected Clients are revolving credit and will not exceed the following annual cap for each of the three financial years ending 31 December 2009:

	Year ending 31 December		
Name of Connected Client	**2007**	**2008**	**2009**
	HK$'million	*HK$'million*	*HK$'million*
Mr. Kwan Pak Hoo Bankee	30	30	30
Mr. Law Ping Wah	30	30	30
Mr. Wong Kin Yick Kenneth	30	30	30
Mr. Cheng Man Pan	30	30	30
Mr. Lin Che Chu George	30	30	30
Cash Guardian Limited	30	30	30
Kawoo Finance Limited	30	30	30
E-Tailer Holding Limited	30	30	30
ARTAR	4,000	4,000	4,000

The outstanding amounts and the maximum outstanding amounts due to the Connected Clients which constituted connected transactions of the Company, the related commission and interest and the market value of the collaterals during the Track Record Period are summarized as follows:

Name	Year/period	Outstanding amount as at year/ period end *(HK$'000)*	Maximum outstanding amount during the year/period *(HK$'000)*	Related commission and interest income received by the Group during the year/period *(HK$'000)*	The market value of the collaterals as at the year/ period end *(HK$'000)* *(note 1)*
Directors of both the Company and CASH					
Mr. Wong Kin Yick Kenneth and associates	Year ended 31 December 2004	791	791	64	2,015
	Year ended 31 December 2005	1,087	1,129	84	2,265
	Year ended 31 December 2006	648	1,720	112	7,119
	Seven month ended 31 July 2007	1,511	28,842	286	7,119
Mr. Law Ping Wah and associates	Year ended 31 December 2004	–	73	15	–
	Year ended 31 December 2005 *(Note 2)*	–	–	–	–
	Year ended 31 December 2006	–	345	21	–
	Seven month ended 31 July 2007	–	29,489	220	–
Director of the Company					
Mr. Cheng Man Pan and associates	Year ended 31 December 2004	–	90	3.5	–
	Year ended 31 December 2005	–	455	5.5	–
	Year ended 31 December 2006	–	274	9	–
	Seven month ended 31 July 2007	511	23,349	201	1,630
Director of CASH					
Mr. Lin Che Chu George and associates	Year ended 31 December 2004	–	–	–	–
	Year ended 31 December 2005	–	–	–	–
	Year ended 31 December 2006 *(Note 3)*	–	–	–	–
	Seven month ended 31 July 2007	–	29,222	128	–
Subsidiaries of CASH					
Kawoo Finance Limited	Year ended 31 December 2004	1,348	4,042	1,094	3,647
	Year ended 31 December 2005	–	1,260	23	–
	Year ended 31 December 2006	–	31,014	195	–
	Seven month ended 31 July 2007	–	29,146	715	–
E-Tailer Holding Limited	Year ended 31 December 2004	–	5,328	16	–
	Year ended 31 December 2005	–	4,497	43	–
	Year ended 31 December 2006	–	27	5	–
	Seven month ended 31 July 2007	–	HK$182 only	–	–

Name	Year/period	Outstanding amount as at year/ period end *(HK$'000)*	Maximum outstanding amount during the year/period *(HK$'000)*	Related commission and interest income received by the Group during the year/period *(HK$'000)*	The market value of the collaterals as at the year/ period end *(HK$'000)* *(note 1)*
Substantial Shareholders of CASH					
Cash Guardian Limited	Year ended 31 December 2004	10,178	10,590	740	14,324
	Year ended 31 December 2005	11,569	11,569	929	14,346
	Year ended 31 December 2006	–	12,720	1,200	–
	Seven month ended 31 July 2007 *(Note 4)*	–	–	–	–
Mr. Kwan Pak Hoo Bankee and associates	Year ended 31 December 2004	–	–	–	–
	Year ended 31 December 2005	–	–	–	–
	Year ended 31 December 2006	–	–	–	–
	Seven month ended 31 July 2007	–	29,021	276	–
Substantial Shareholder of the Company					
ARTAR and associates	Year ended 31 December 2004	–	–	–	–
	Year ended 31 December 2005	–	–	–	–
	Year ended 31 December 2006	–	–	–	–
	Seven month ended 31 July 2007	–	2,060,400	7,773	–

Note: 1. The terms of the margin financing facilities granted by the Group to the Connected Clients were the same as those offered by the Group to its other margin financing clients where sufficient listed securities were provided as collaterals. In addition, the Connected Clients must follow the terms of the margin financing facilities extended and set by the Group from time to time that are applicable to all margin financing clients of the Group. The Group has maintained a very stringent control policy for margin financing, under which no margin loan will be granted to its margin financing clients including the Connected Clients unless shares of companies with high market capitalization are provided as collateral with loans to market value of collaterals ratios up to the margin ratios set by the Group depending on the types of the stocks. During the Track Record Period, the Connected Clients have strictly followed the terms of the margin financing facilities applicable to all margin financing clients of the Group and provided collaterals with loans to market value of collaterals ratios below the margin ratios set by the Group applicable to all of its margin financing clients (including the Connected Clients) from time to time.

2. During the year ended 31 December 2005, the Group received commission in respect of trading of securities of approximately HK$31,000 from Mr. Law Ping Wah and associates.

3. During the year ended 31 December 2006, the Group received commission in respect of trading of securities of approximately HK$2,000 from Mr. Lin Che Chu George and associates.

4. During seven month ended 31 July 2007, the Group received commission in respect of trading of securities of approximately HK$263,000 from Cash Guardian Limited.

Set out below is the comparison of the average outstanding margin loans provided by the Group to the Connected Clients with the average total outstanding margin loans of the Group.

	Average outstanding margin loans to the Connected Clients during the year/period *(Note 1)* **(A)**	Average total outstanding margin loans of the Group during the year/period *(Note 2)* **(B)**	**(A)/(B)**
	HK$000	*HK$000*	*%*
Year ended 31 December 2004	15,366	376,465	4.0%
Year ended 31 December 2005	11,823	295,711	4.0%
Year ended 31 December 2006	13,234	787,267	1.6%
Seven months ended 31 July 2007	11,537	936,570	1.2%
Ten months ended 31 October 2007	13,705	1,109,551	1.2%

Notes:

1. Being the average of the total outstanding margin loans due to the Group by the Connected Clients as at the end of each month during the relevant year/period.

2. Being the average of the total outstanding margin loans due to the Group as at the end of each month during the relevant year/period.

During the Track Record Period, the maximum average outstanding amount of margin loans for secondary market trading extended by the Group to the Connected Clients were approximately HK$15.4 million and ARTAR did not have any margin loans for secondary market trading from the Group. It is expected by the Directors that up to HK$15 million of the annual cap for each of the Connected Clients will be utilized in connection with margin financing for secondary market trading and the unutilized balance of the annual cap can be used for IPO financing.

The Company has set the annual caps for the Connected Clients taking into account the booming market especially the IPO market in Hong Kong. In addition, the Company noted that the maximum outstanding amount of approximately HK$1.9 billion to ARTAR during the Track Record Period was IPO margin financing which was repaid immediately after the refund of the respective IPO applications. The following table summarizes the IPO statistics for the Track Record Period.

Year ended	Total number of Main Board IPOs	Total funds raising from Main Board IPOs	No. of Main Board IPOs with fund raising of more than HK$10 billion	Over subscription rate for IPOs with fund raising of more than HK$10 billion
		HK$ million		*Times (x)*
31 December 2004	49	94,465	3	28-272x
31 December 2005	57	164,985	3	15-204x
31 December 2006	56	332,083	5	70-266x
31 December 2007	82	290,443	8	169-257x

During the four years ended 31 December 2007, (i) the number of IPOs on the Main Board increased from 49 to 82 per year from 2004 to 2007; (ii) total fund raising from Main Board IPOs increased from HK$94 billion in 2004 to HK$332 billion in 2006 and over HK$290 billion in 2007; (iii) the number of mega sized IPOs of fund raising exceeding HK$10 billion were both 3 companies in 2004 and 2005, 5 companies in 2006 and 8 companies in 2007. The subscription rate for IPOs with fund raising of more than HK$10 billion, mega sized IPOs, ranged from 15 times to 272 times for 2004 to 2005 and 70 times to 257 times for 2006 to 2007. In addition to the mega sized IPOs, there were a number of multi-billion sized IPOs during the Track Record Period. As part of its margin financing business, the Group offers margin loans to its clients for application for IPOs. As the IPO market in Hong Kong has been very hot over the past few years as shown in the above statistics, in particular the subscription times for the mega sized IPOs over the past two years ranged from 70 times to 257 times, investors may adopt a strategy to obtain margin financing to apply for IPOs in order to increase the chance of successful allotment of shares. The annual caps of the margin financing facilities to the Connected Clients have been set to obtain prior independent Shareholders' approval for the purpose of the GEM Listing Rules. It does not mean that the Connected Clients can draw down margin loans at their discretion under the Margin Financing Arrangement. They have to follow the terms of the margin financing facilities extended and set by the Group from time to time, which are applicable to all the margin clients of the Group (i.e. provision of sufficient collaterals acceptable to the Group and maintenance the required loan to collateral ratio from time to time as set out by the Group).

The Group currently has a very stringent control policy for margin financing, under which no margin loan will be granted to its margin financing clients including the Connected Clients unless shares of companies with high market capitalization are provided as collateral with loans to market value of collaterals ratios up to the margin ratios set by the Group depending on the types of the stocks.

The Group provides IPO margin financing usually only for IPOs with anticipated high over-subscription rates and when the banks are willing to provide back to back financing. The clients of the Group including the Connected Clients are usually required to provide 10% of the subscription money of IPO and the Group will provide 90% of IPO margin financing, provided that back to back financing from the banks is obtained and high over-subscription rate is expected. Such terms are in line with those offered by the competitors of the Group. The banks and the Group are very cautious in providing the back to back financing and IPO margin financing. The banks provide the back to back financing to the Group and the Group onward provides the financing to its clients. There is no direct contractual relationship between the banks and the Group's clients in respect of the back to back financing. The banks usually offer the back to back financing with reference to the prevailing HIBOR and the interest rates offered by the other banks in the same IPO and request for liens on the shares successfully allotted and the refunded unsuccessful application money until the back to back financing is repaid which the Group will request for the same from the clients including the Connected Clients. Given the over subscription rate for the IPOs in respect of the IPO financing that the Group offers to its clients including the Connected Clients is expected to be high, the Group considers that the 10% subscription money provided by the clients including the Connected Clients are sufficient to cover the consideration for the shares successfully applied for.

The Connected Clients have not maintained substantial outstanding amount during the Track Record Period and the annual caps are set at a higher amounts to allow flexibility to the Group in providing IPO margin financing where the risks are considered low under the IPO margin financing policy of the Group.

ARTAR and its associates mostly carry out trading activities on their own cash resources without using the Group's margin financing. According to IPO margin financing arrangement of the Group, ARTAR and its associates are required to provide 10% of their own financing resources and the Group usually only provides margin financing to IPOs with high anticipated over subscription rates and no IPO margin financing will be provided to risky stocks, the Directors and the Joint Sponsors consider that the annual cap of HK$4 billion of margin financing facilities granted to ARTAR and its associates, which is set with reference to the expected trading volume of ARTAR and its associates, approved in special general meeting of the Company, are fair and reasonable.

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

The Directors consider the above connected transactions were carried out in the Group's ordinary and usual course of business, and conducted in normal commercial terms and in accordance with the terms of the agreements governing these transactions. Furthermore, the Directors confirmed that the transactions were conducted at commercial rates similar to those with Independent Third Parties and the Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions have been entered into on normal commercial terms, in the ordinary and usual course of the business, and is fair and reasonable and in the interests of the Shareholders as a whole, and the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for the transaction

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

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

As each of the Connected Clients is a connected person of the Company, the granting of the margin financing facilities to the Connected Clients would constitute financial assistance under Chapter 14A of the Main Board Listing Rules. In addition, as each of the margin financing facilities granted exceeded 2.5% of each of the percentage ratios (other than the profits ratio) under the Main Board Listing Rules and HK$10,000,000, the financial assistance provided by the Company to the Connected Clients would be subject to the reporting, announcement and independent Shareholders' approval requirements under the Main Board Listing Rules.

Previous Financial Assistance

Prior to the amendments of the GEM Listing Rules that came into effect on 31 March 2004, the grant of financial assistance to a connected person was considered to be in the ordinary and usual course of business of the Company and exempted from the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules then in effect. Pursuant to the amendments to the GEM Listing Rules, the definition of ordinary and usual course of business as defined in Chapter 20 of the GEM Listing Rules has been amended to include only financial assistance provided by banking companies. As a result of the amendments, the provision of margin financing by the Company, which is not a banking institution, to connected persons will be subject to the reporting, announcement and independent Shareholders' approval requirements of the GEM Listing Rules.

The margin financing facility previously extended by the Company to certain connected clients and certain companies of the CASH Group during the period between 31 March 2004 and 31 December 2006 ("Previous Financial Assistance") has exceeded 2.5% of each of the percentage ratios (other than the profits ratio) under the GEM Listing Rules and HK$10,000,000 and should be subject to the reporting, announcement and independent Shareholders' approval requirements of the GEM Listing Rules. Due to an inadvertent oversight of the effect of the amendments, the Company did not make timely disclosure of the margin financing facilities provided to certain connected clients and companies of the CASH Group and seek prior independent Shareholders' approvals in respect of the Previous Financial Assistance. The aggregated outstanding amount due from the connected clients represented approximately 6.7%, 4.7%, 0.1% and 0.3% respectively of the total margin loans of the Group during the Track Record Period. The Directors were only aware of such breaches of the GEM Listing Rules around the end of December 2006 in the course of the internal compliance review of the Group for the year and have taken immediate steps to remedy the issue with all outstanding amounts due under the Previous Financial Assistance repaid on 31 December 2006 or fallen below the threshold of HK$1,000,000. Since February 2007, the operation departments have also been reminded of the list of connected persons of the Company and the threshold of HK$1,000,000 that must not be exceeded for any financial assistance. The operation departments are now closely monitoring the margin financing facilities granted by the Company to ensure compliance with the GEM Listing Rules.

Since February 2007, the Company has established procedures to regularly monitor the utilization rates of margin financing facilities granted to customers to ensure compliance with the disclosure requirements of the GEM Listing Rules. Operation personnel were also informed of the applicable threshold for the purpose of disclosure. Furthermore, as described above, the Company had entered into margin financing facility with the connected clients and was submitted to the independent Shareholders for proper approval. The Shareholders approved the facility in the Company's special general meeting held on 19 March 2007.

Waiver from the Stock Exchange in respect of the non-exempt continuing connected transaction

If strict compliance with the announcement and independent Shareholders' approval requirements under Rule 14A.35 of the Main Board Listing Rules is to be observed, it would mean that upon the listing of the Shares on the Main Board following the Introduction, the Company would need to seek independent Shareholders' approvals in respect of each of the Margin Financing Arrangement granted, the subject of which had already been disclosed and approved by the independent Shareholders in accordance with the requirements of the GEM Listing Rules. The Company is of the view that the seeking of independent Shareholders' approvals upon the listing of the Shares on the Main Board will be impractical, unduly onerous and not of benefit or interest to the Company and its Shareholders.

In this connection, the Company has applied to the Stock Exchange for a waiver from strict compliance with the relevant announcement and independent Shareholders' approval (but not reporting) requirements under the Main Board Listing Rules in respect of the Margin Financing Arrangement upon the listing of its Shares on the Main Board.

Confirmations from the Joint Sponsors

The Joint Sponsors are of the view that the proposed annual caps for the continuing connected transactions are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Furthermore, the Joint Sponsors are of the view that the continuing connected transactions have been entered into on normal commercial terms, in the ordinary and usual course of the business, are fair and reasonable and in the interests of the Group and Shareholders as a whole.

USE OF "CASH" TRADEMARK

Pursuant to the agreement dated 10 December 2000 and supplemented by the supplemental agreement dated 26 June 2006 entered into between the Company and CASH, CASH has agreed to grant the right to the Group, to use the trademark "CASH" in English (CASH), or "時富" in Chinese () as the case may be, in connection with the Group's official and organisational name, "CASH Financial Services Group Limited" and the business of the Group so long as:

(a) the securities of the Company are and remain listed on GEM or the Main Board or any other stock exchange on which the securities of the Company may be listed and which is recognized by the Stock Exchange and the SFC; and

(b) CASH is interested in not less than 25% of the issued share capital of the Company.

CASH has also confirmed that any use of the name or trademark "CASH" in English (CASH), or "時富" in Chinese (), as the case may be, prior to the date of the above-mentioned agreement on 10 December 2000 had been with CASH's permission and it has no claim against any member of the Group for compensation in cash, kind, or otherwise. In consideration of the above, the Company paid a one-time, non-refundable payment of HK$100 to CASH. In addition, CASH has provided an undertaking to the Company pursuant to which as a transitional arrangement if CASH is interested in less than 25% of the issued share capital of the Company, it will allow the Group to continue to use the "CASH" trademark for period of one year commencing from the date on which the shareholding of CASH in the Company falling below 25% unless approval from the Shareholders other than CASH and its associates at general meeting is obtained.

CASH has confirmed that it will continue to allow the Group to use the above trademarks in the manner previously agreed, following the listing of the Shares on the Main Board according to the terms of the above-mentioned agreement and supplemental agreement.

CLEAR DELINEATION FROM THE BUSINESS OF CASH

Independence of directorship and senior management

The Board currently comprises a total of 8 Directors, of which 3 executive Directors are also executive directors of CASH, namely Mr. Kwan Pak Hoo Bankee (Chairman), Mr. Wong Kin Yick Kenneth (Chief Executive Officer) and Mr. Law Ping Wah (Chief Financial Officer). In addition, Mr. Cheng Man Pan (Chief Operation Officer) was the qualified accountant of CASH for the period from 31 March 2004 to 1 March 2006 and was the Chief Financial Controller of CASH prior to his appointment as an executive Director on 7 June 2004. As at the Latest Practicable Date, Mr. Cheng was only responsible for the operations and compliance matters of the Group. Apart from the aforesaid individuals, Ms. Luke Wing Sheung and Ms. Law Chiu Mei, the company secretary of the Company and the head of human resources and administration department of the Group respectively, also assume similar role and function in the CASH Group. Save for the abovementioned personnel, none of the Directors and senior management of the Group have assumed any employment, role or function of any company of the CASH Group.

The Directors consider that independence of the operations and management of the Group will not be affected by the dual/trio directorship of Messrs. Kwan Pak Hoo Bankee, Wong Kin Yick Kenneth and Law Ping Wah since Mr. Kwan Pak Hoo Bankee is mainly involved in the strategic planning of the Group, Mr. Wong Kin Yick Kenneth is mainly involved in executing the strategic business plans pre-determined by the respective boards and Mr. Law Ping Wah is mainly involved in the financial control and treasury functions of the Board, while the day-to-day operations and management of the Group are carried out by various departments of the Group which are in charge by their respective heads under the supervision of the Board, members of which including three independent non-executive Directors. Hence, despite the dual/trio directorship of Messrs. Kwan Pak Hoo Bankee, Wong Kin Yick Kenneth and Law Ping Wah, the day-to-day operations and management of the Group are independent from those of CASH Group. Although the Company is a subsidiary of CASH, the Company and its subsidiaries are carrying out a unique and distinct business within the CASH Group. The Group and the CASH Group are in fact two separate entities and have their respective management teams at the operation level. There is a complete separation of staff and the respective staff members of the Group from the CASH Group (save as disclosed in this paragraph). Furthermore, the CASH Group (other than the Group) does not carry out any type of business which is currently carried out by the Group, being provision of securities and commodities broking, financing, investment banking, wealth management and asset management services. Given that there is a clear delineation between the principal activities of the CASH Group and the Group, the Directors are of the view that no competing interests arise with regard to the business of the CASH Group insofar as the Group is concerned.

Principal activities of CASH

The existing principal activities of the Group is different from the other business of the CASH Group, consisting of (i) retailing of furniture and household items under the name of “Pricerite” and “LZ LifeZtore” and retailing of fashionable digital products under the name of “3C Digital”; (ii) provision of online game services, sale of online game auxiliary products and licensing services; and (iii) investment holdings.

Accordingly, there is a clear delineation of business between the Group and the other businesses of the CASH Group.

Continuing use of “CASH” trademark

As mentioned under the paragraph headed “Use of “CASH” trademark” in this section, CASH has confirmed that it will continue to allow the Group to use the trademark “CASH” in English (CASH), or “時富” in Chinese (時富) in the manner previously agreed, following the listing of the Shares on the Main Board.

Corporate governance measures

The Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest between the Group, the CASH Group and the Directors including:

(i) The Bye-laws of the Company provide that, unless otherwise provided by the Bye-laws of the Company, where any Director or his/her associates has a material interest in a matter, he or she may not vote on the resolutions of the Board approving the matter and shall not be counted in the quorum for the voting as required under the Main Board Listing Rules. In addition, it is provided in the Bye-laws of the Company that any such Director shall excuse himself from any meeting or part of any meeting of the Board and shall not participate in any discussions in respect of any resolutions where any contract or arrangement or other proposal in which he or any of his associates is materially interested is discussed or resolved, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by the remaining Directors. Should the CASH Group and the Group are both interested in a transaction which any conflict of interest of Messrs. Kwan Pak Hoo Bankee, Wong Kin Yick Kenneth and Law Ping Wah arises, they will abstain from voting in the relevant resolution(s) and excuse themselves from the relevant board meeting.

(ii) Besides the three common directors of CASH and the Company, namely Messrs, Kwan Pak Hoo Bankee, Law Ping Wah and Wong Kin Yick Kenneth, the Company has two executive Directors, namely Messrs. Cheng Man Pan and Chan Chi Ming and three independent non-executive Directors, namely Messrs. Cheng Shu Shing Raymond, Hui Ka Wah Ronnie and Lo Kwok Hung John, who are experienced professionals with expertise in accounting, corporate finance, valuation, financial analysis and laws which should be adequate to consider to approve resolutions in the instances of conflicts of interest of the common directors. The principal qualification and expertise of the Directors and independent non-executive Directors other than the common directors are summarized as follows for ease of reference:

Mr. Cheng Man Pan	–	Certified Public Accountant of Hong Kong Institute of Certified Public Accountants ("HKICPA"), more than 15 years' experience in auditing, accounting, financial controlling and project management
Mr. Chan Chi Ming	–	Certified Public Accountant of HKICPA, more than 17 years' experience in auditing and corporate finance
Mr. Cheng Shu Shing Raymond	–	fellow of The Professional Valuation Centre of Hong Kong Business Sector
Dr. Hui Ka Wah Ronnie	–	a Chartered Financial Analyst (CFA) charterholder
Mr. Lo Kwok Hung John	–	a fellow of The Association of Chartered Certified Accountants and a holder of Bachelor's degree in Laws

(iii) In the event that potential conflict of interests between the Group and the CASH Group may materialise, the CASH Group will abstain from voting in the Shareholders' meeting of the Company with respect to the relevant resolution(s).

(iv) the facilities and equipment of the Group are different from and distinctive to those of the CASH Group, as the facilities and equipment of the Group are not utilised by any members of the CASH Group.

(v) the various offices occupied by the Group for its business operations are located in different locations separate from the CASH Group.

Independent and financial viability

Since listing of the Company on GEM, it has not been reliant on the CASH Group for financial assistance.

Independent administrative capacity

Except for Ms. Luke Wing Sheung and Ms. Law Chiu Mei, the company secretary of the Company and the head of human resources and administration department of the Group respectively, who also assume similar role and function in the CASH Group, the Group has its own team of general and administrative staff and all necessary office equipment and premises to carry out all essential administrative functions and does not share office with the CASH Group. In addition, the day-to-day management, the management team, employees, offices, administrative functions, operations and financial management of the Group are independent of the CASH Group.

Independent accounting capacity

The accounting records of the Group are controlled by a separate team of accounting professionals (which are separate from the CASH Group).

The finance and accounting departments of the Group are staffed by different personnel who report to and work for the Group only (i.e. totally separate and independent from the CASH Group).

Competing business

Save for holding a controlling interest in the Company, the CASH Group has no interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's businesses. In addition, none of the Directors is interested in any business, which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

Conclusion

In view of the above factors and reasons, the Group is operating independently of the CASH Group.