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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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### **CASH Financial Services Group Limited** **時富金融服務集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**Stock code on Main Board: 510**

**Stock code on GEM: 8122**

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON  
THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
PROPOSED LISTING OF THE ENTIRE ISSUED SHARE CAPITAL OF  
THE COMPANY ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED  
BY WAY OF INTRODUCTION,  
PROPOSED REDUCTION OF THE MINIMUM NOTICE PERIOD  
IN RESPECT OF THE PROPOSED WITHDRAWAL,  
PROPOSED TERMINATION OF THE GEM SHARE OPTION SCHEME AND  
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,  
PROPOSED ADOPTION OF NEW BYE-LAWS IN SUBSTITUTION  
FOR THE EXISTING BYE-LAWS  
AND  
PROPOSED GRANT OF NEW GENERAL MANDATES AND  
PROPOSED REVOCATION OF EXISTING GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES**

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A notice convening a special general meeting of the Company (the "SGM") to be held at 21st Floor, The Center, 99 Queen's Road Central, Hong Kong on 22 February 2008 (Friday) at 9:30 a.m. is set out on pages 66 to 71 of this circular. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's principal place of business in Hong Kong, 21st Floor, The Center, 99 Queen's Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

*This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its posting and the website of the Company at [www.cfs.com.hk](http://www.cfs.com.hk).*

\* For identification purposes only

30 January 2008

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## CHARACTERISTICS OF GEM

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**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.**

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Access Capital”	Access Capital Limited, one of the Joint Sponsors in relation to the Proposed Introduction, a licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities
“associate(s)”	has the meaning ascribed to it under the Main Board Listing Rules and/or GEM Listing Rules (as the case may be)
“Board”	the board of Directors
“Business Day”	a day, excluding Saturday, on which banks are opened for business in Hong Kong
“Buyback Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the ordinary resolution no. 4 as set out in the SGM Notice
“CASH”	Celestial Asia Securities Holdings Limited (stock code: 1049), the ultimate holding company of the Company, a company incorporated with limited liability under the laws of Bermuda and whose shares are listed on the Main Board
“Celestial Capital”	Celestial Capital Limited, one of the Joint Sponsors in relation to the Proposed Introduction, a licensed corporation under the SFO to conduct types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities; is a wholly-owned subsidiary of the Company
“Companies Act”	the Companies Act 1981 of Bermuda

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## DEFINITIONS

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“Company”	CASH Financial Services Group Limited (stock code on GEM: 8122), a company incorporated with limited liability under the laws of Bermuda on 9 August 2000 and whose shares are currently listed on GEM and proposed to be listed on the Main Board under the Proposed Introduction
“connected person(s)”	has the meaning given to it by the Main Board Listing Rules and/or GEM Listing Rules (as the case may be)
“Director(s)”	the director(s) of the Company
“Effective Date”	expected to be 3 March 2008, the date on which the Proposed Withdrawal and the Proposed Introduction become effective
“Existing Bye-laws”	the existing bye-laws adopted by the Company on 18 August 2000 and were subsequently amended on 17 May 2004
“Existing General Mandates”	the general mandates to issue Shares and repurchase Shares granted to the Directors pursuant to resolutions passed by the Shareholders at the annual general meeting of the Company held on 1 June 2007
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“GEM Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on 19 February 2002
“Group”	the Company and its subsidiaries (as defined in the Main Board Listing Rules and/or GEM Listing Rules (as the case may be)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Sponsors”	Access Capital and Celestial Capital
“Latest Practicable Date”	25 January 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular

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## DEFINITIONS

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“Listing Document”	the listing document dated 30 January 2008 to be issued by the Company in connection with the Proposed Introduction
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which continues to be operated by the Stock Exchange parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for Main Board listing matters
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time, and any applicable practice notes, supplementary guidance or other regulations issued by the Stock Exchange
“New Bye-laws”	the new bye-laws proposed to be adopted at the SGM, the principal terms of which are summarised in Appendix II to this circular
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Main Board Listing Rules
“Proposed Share Option Scheme”	the proposed share option scheme to be conditionally adopted at the SGM, a summary of the principal terms of which is set out in Appendix I to this circular
“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing of the Shares on GEM
“Repurchase Resolution”	the ordinary resolution relating to the Buyback Mandate as set out in resolution no. 4 in the SGM Notice

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be held at 21/F, The Center, 99 Queen’s Road Central, Hong Kong on 22 February 2008 at 9:30 a.m. or any adjournment thereof, to consider and approve, if thought fit, among other things, the Proposed Withdrawal, the Proposed Introduction, the Proposed Share Option Scheme, the New Bye-laws and the new general mandates
“SGM Notice”	the notice convening the SGM, which is set out on pages 66 to 71 of this circular
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning given to it by the Main Board Listing Rules and/or GEM Listing Rules (as the case may be)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## **RESPONSIBILITY STATEMENT**

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This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein 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.



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## EXPECTED TIMETABLE

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*The expected timetable for the Proposed Withdrawal and the Proposed Introduction is set out below:*

2008

Despatch of this circular (including the SGM Notice) and the related forms of proxy to the Shareholders . . . . .	Wednesday, 30 January
Despatch of the Listing Document to the Shareholders . . . . .	Wednesday, 30 January
Latest time for lodgement of related forms of proxy for the SGM . . . . .	9:30 a.m. on Wednesday, 20 February
SGM . . . . .	9:30 a.m. on Friday, 22 February
Announcement of results of the SGM and publication of the notice of the Proposed Withdrawal . . . . .	Friday, 22 February
Last day of dealings in the Shares on GEM . . . . .	Friday, 29 February
Withdrawal of listing of the Shares on GEM to be effective from . . . . .	9:30 a.m. on Monday, 3 March
Dealings in the Shares on the Main Board to commence on . . . . .	9:30 a.m. on Monday, 3 March

- Notes:* (1) Shareholders will be informed by public announcement of any changes in the above expected timetable.
- (2) All times and dates refer to Hong Kong times and dates.

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## LETTER FROM THE BOARD

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FINANCIAL SERVICES GROUP

時富金融服務集團

### CASH Financial Services Group Limited

時富金融服務集團有限公司\*

(Incorporated in Bermuda with limited liability)

Stock code on Main Board: 510

Stock code on GEM: 8122

*Executive Directors:*

Kwan Pak Hoo Bankee  
Wong Kin Yick Kenneth  
Law Ping Wah  
Cheng Man Pan  
Chan Chi Ming

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

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

*Principal place of business  
in Hong Kong:*

21st Floor  
The Center  
99 Queen's Road Central  
Hong Kong

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON  
THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
PROPOSED LISTING OF THE ENTIRE ISSUED SHARE CAPITAL OF  
THE COMPANY ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED  
BY WAY OF INTRODUCTION,  
PROPOSED REDUCTION OF THE MINIMUM NOTICE PERIOD  
IN RESPECT OF THE PROPOSED WITHDRAWAL,  
PROPOSED TERMINATION OF THE GEM SHARE OPTION SCHEME AND  
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,  
PROPOSED ADOPTION OF NEW BYE-LAWS IN SUBSTITUTION  
FOR THE EXISTING BYE-LAWS  
AND  
PROPOSED GRANT OF NEW GENERAL MANDATES AND  
PROPOSED REVOCATION OF EXISTING GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES**

#### INTRODUCTION

On 12 October 2007, the Board announced that the Joint Sponsors had on behalf of the Company submitted an application to the Stock Exchange for the Proposed Introduction and the Company had informed GEM of the intention of the Company to implement the Proposed Withdrawal, conditional upon the conditions set out in the paragraph headed "Conditions of the Proposed Withdrawal and the Proposed Introduction" below.

\* For identification purposes only

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## LETTER FROM THE BOARD

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In connection with the Proposed Introduction, the Directors propose to the Shareholders the proposed grant of new general mandates to issue and repurchase Shares in substitution for the Existing General Mandates, the proposed termination of the GEM Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme and the proposed adoption of the New Bye-laws in substitution for the Existing Bye-laws, for complying with the requirements under the Main Board Listing Rules.

The purpose of this circular is to give you information on, inter alia, (i) the Proposed Withdrawal and the Proposed Introduction, (ii) the proposed adoption of the Proposed Share Option Scheme and termination of the GEM Share Option Scheme, (iii) the proposed adoption of the New Bye-laws, (iv) the proposed grant of new general mandates to issue and repurchase Shares, and (v) to seek Shareholders' approval of the resolutions in respect of the aforesaid at the SGM as described in the paragraph headed "The SGM" below. The SGM Notice is set out on pages 66 to 71 of this circular. In addition, the Company would like to provide details on the deed of non-competition undertaking entered into between CASH and the Company in connection with the Proposed Introduction in this circular for information of the Shareholders.

### **THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

On 12 October 2007, the Joint Sponsors had on behalf of the Company submitted an application to the Stock Exchange for the listing of, and permission to deal in, on the Main Board (i) the Shares in issue; (ii) any Shares which may be issuable upon the exercise of the outstanding options which were granted under the GEM Share Option Scheme; and (iii) any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme.

The Stock Exchange informed the Joint Sponsors on 28 January, 2008 that the Main Board Listing Committee had granted an approval in principle of the listing of, and permission to deal in, the Shares as mentioned above on the Main Board. Immediately following the Proposed Withdrawal becoming effective, the listing of the Shares on GEM will be withdrawn and the Shares will be listed on the Main Board.

### **REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

Since the listing of the Shares on GEM on 15 December 2000, the Group has experienced continuous growth and has established strong market positions in each of its business segments. Nevertheless, the Directors believe that the listing of the Shares on the Main Board will enhance the profile of the Group and can lead to higher trading liquidity of the Shares. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group. No change in the business of the Group is being contemplated by the Directors following the Proposed Introduction.

The Proposed Introduction will not involve any issue of new Shares by the Company.

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## LETTER FROM THE BOARD

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### **WAIVER FROM STRICT COMPLIANCE WITH THE MINIMUM NOTICE PERIOD IN RESPECT OF THE PROPOSED WITHDRAWAL**

Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another regulated, regularly operating, open stock exchange or securities market recognised for this purpose by the Stock Exchange, may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of shareholders has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer;
- (ii) the prior approval of holders of any other class of listed securities, if applicable, has been obtained; and
- (iii) the issuer has given its shareholders and holders of any other class of listed securities, if applicable, at least 3 months notice of the proposed withdrawal of the listing. This minimum notice period must run from the date on which the shareholders approve the voluntary withdrawal of listing and such notice must include details of how to transfer securities to and trade those securities on the alternative market.

In connection with the Proposed Withdrawal, the Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the minimum three months' notice required under Rule 9.19(3) of the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the notice period for the Proposed Withdrawal shall be a minimum period of five clear Business Days after obtaining the approval of the Shareholders for the Proposed Withdrawal;
- (ii) the prior approval of the Shareholders for the reduction of the minimum notice period for the Proposed Withdrawal to a period of five clear Business Days shall have been obtained;
- (iii) in respect of the Shares, there is no change in the board lot size, the share certificates, the share registrars and the trading currency in connection with the Proposed Introduction; and
- (iv) there is no other fact that leads GEM to believe that the reduced notice period is not feasible.

Accordingly, the SGM will be convened to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal. After Shareholders' approval having been obtained, a notice of the Proposed Withdrawal will be published not less than five clear Business Days prior to the Effective Date.

The Directors consider that it is in the best interests of the Company and the Shareholders as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the SGM to avoid any market uncertainties.

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## LETTER FROM THE BOARD

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### **WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07(1)(a) AND 10.08 OF THE MAIN BOARD LISTING RULES**

In connection with the Proposed Introduction, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions regarding further issue of securities within six months from the date of listing of the Shares on the Main Board, as specified under Rule 10.08 of the Main Board Listing Rules; and also a consequently waiver from strict compliance with the restriction under Rule 10.07(1)(a) of the Main Board Listing Rules in relation to the deemed disposal of Shares by the controlling Shareholders, upon issue of securities by the Company, if any, within six months from the date of listing of the Shares on the Main Board.

The Company is currently a GEM listed company and is proposed to migrate its listing status from GEM to the Main Board through the Proposed Withdrawal and the Proposed Introduction. Some of the restrictions under Rules 10.07(1)(a) and 10.08 of the Main Board Listing Rules may unnecessarily interrupt the Company's current operations for a period of six months after its migration from GEM to the Main Board. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, the abovementioned waivers for the following reasons:

- (i) the Company will not raise any new funds under the Proposed Introduction, therefore the Shareholders will not suffer any dilution of their interests as a result of the Company's listing on the Main Board;
- (ii) the Company is deemed to be a new listing applicant by reason of the Proposed Introduction, the Shareholders remain the same and there is no change in their shareholdings, save that the Shares will be listed on the Main Board and the listing status of the Company on GEM will be withdrawn;
- (iii) the interests of the Shareholders are protected since any further issue of new Shares by the Company would either be issued under the general mandate to be granted by the Shareholders at the SGM to be held on 22 February 2008 or be issued following the Shareholder's approval at a general meeting as required under Rule 13.36 of the Main Board Listing Rules to which any further issuance of Shares would be subject to Shareholders' approval;
- (iv) though there is no imminent plan to raise equity funds by the Group, the ever changing securities market and economic situation in Hong Kong and the regional areas may turn to be so favourable to the Group within the first six months of listing of the Shares on the Main Board, the waiver will enable the Group to raise funds (as and when appropriate) which provides the Group with the maximum flexibility and enable the Directors to act in the best interests of the Company and the Shareholders as a whole; and

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## LETTER FROM THE BOARD

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- (v) acquisition opportunities may arise from time to time within the first six months of the listing of the Shares on the Main Board, and the waiver will allow the issuance of new Shares to satisfy the consideration payable which provides the Group with the maximum flexibility in financing/structuring the payment method of any future acquisitions as well as to preserve its cash resources for the deployment of its brokerage business.

### **CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

The implementation of the Proposed Withdrawal and the Proposed Introduction are conditional upon, amongst other things:

- (i) the Main Board Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be allotted and issued upon (a) the exercise of any outstanding options which were granted under the GEM Share Option Scheme; and (b) the exercise of any options which may be granted under the Proposed Share Option Scheme;
- (ii) the passing of an ordinary resolution by the Shareholders at the SGM to approve, amongst other things, the Proposed Withdrawal and the proposed reduction of the notice period for the Proposed Withdrawal;
- (iii) the granting of a waiver from strict compliance with the minimum three months' notice required under Rule 9.19(3) of the GEM Listing Rules by the Stock Exchange is subject to the fulfillment of all the required conditions;
- (iv) the publication of a notice of the Proposed Withdrawal after obtaining the approval of Shareholders referred to in condition (ii) above on a date that is not less than five clear Business Days prior to the Effective Date; and
- (v) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and fulfillment of all conditions which may be attached to such consents, if any.

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## LETTER FROM THE BOARD

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### EFFECTS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

Subject to the fulfillment of the conditions set out in the preceding paragraph, it is expected that dealings in the Shares on GEM will cease at 4:30 p.m. on the Business Day immediately prior to the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will publish an announcement after the SGM on the results of the SGM and other information in relation to the Proposed Withdrawal and the trading arrangements of the Shares with respect to the Proposed Withdrawal and the Proposed Introduction.

The Proposed Withdrawal and the Proposed Introduction will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. No change will be made to the board lot size, trading currency of the Shares and the share registrars of the Shares in connection with the Proposed Withdrawal and the Proposed Introduction. **Shares will continue to be traded under the new stock code 510 in board lots of 4,000 Shares each following the Proposed Introduction. If and when the Shares are listed on the Main Board, Shareholders may be required to sign a new client agreement with their stockbrokers.**

**Please also note that the continuing obligations of listed issuers under the Main Board Listing Rules and the GEM Listing Rules are not the same. Under the GEM Listing Rules, the Company is required to publish its quarterly results on the internet website operated by the Stock Exchange. Upon the listing of the Shares on the Main Board, the Company will cease the practice of quarterly reporting and will follow the relevant requirements of the Main Board Listing Rules which include, amongst other things, through posting on the Company's official website, publish its interim results within three months from the end of the relevant period and annual results within four months from the financial year-end.**

The Directors are of the view that following the reporting requirements under the Main Board Listing Rules, investors and the Shareholders will continue to be provided with a high degree of transparency and a timely picture of the financial performance of the Group on par with other listed issuers on the Main Board. The Directors also believe that the cessation of quarterly reporting would save significant publishing costs and other related expenses, and enable management to devote more management time to other key aspects of the operation of the Group's business.

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## LETTER FROM THE BOARD

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### COMPARISON OF GEM AND MAIN BOARD

#### (a) Introduction

Prior to the establishment of GEM, a large number of growth enterprises, particularly those emerging ones (i.e. enterprises that had good business ideas and growth potential but did not fulfill the profitability/track record requirements of the Main Board) were unable to obtain a listing on the Stock Exchange. The establishment of GEM was designed to bridge this gap.

#### (b) Similarities between GEM and Main Board

##### (i) Trading

Trading of equity securities on GEM and on the Main Board is carried out through the trading facilities of the Stock Exchange and are regulated by the rules of the Stock Exchange, which apply equally to trading in equity securities listed on GEM and the Main Board. Normal trading hours of the Stock Exchange are from 10:00 a.m. to 12:30 p.m. (being the morning session) and 2:30 p.m. to 4:00 p.m. (being the afternoon session) and they are the same for equity securities listed on GEM and the Main Board. (There is also the pre-opening session, being trading hours from 9:30 a.m. to the commencement of the morning session at 10:00 a.m., the details of which are set out in the rules of the Stock Exchange.)

Settlement of trades for both GEM and Main Board listed equity securities are effected through the Central Clearing and Settlement System (also known as CCASS) operated by Hong Kong Securities Clearing Company Limited, which is a fellow subsidiary of the Stock Exchange.

Trading of equity securities on GEM and on the Main Board which are settled through CCASS incurs the same transaction levy of 0.004% (rounded to the nearest cent. and is charged on per side of the consideration of a transaction, and this levy is collected for the Hong Kong Securities and Futures Commission), trading fee of 0.005% (rounded to the nearest cent. and is charged on per side of the consideration of a transaction, and this fee is payable to the Exchange), and stamp duty at a rate of 0.1% (rounded up to the nearest dollar) on the value of the transaction on both the buyer and the seller.

##### (ii) Regulatory environment

Whether the Company's Shares are listed on GEM or the Main Board, acquisition, holding and disposal of the Shares are subject to the requirements of the Hong Kong Code on Takeovers and Mergers and Part XV of the SFO.



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## LETTER FROM THE BOARD

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The spirit of the principal ongoing regulatory and compliance regime of the GEM Listing Rules and the Main Board Listing Rules in the areas below are substantially the same, although GEM has been established as a market designed to accommodate companies to which a higher investment risk may be attached. The said areas are as follows:

- Continuing obligations of listed issuers in relation to:
  - general disclosure obligations including those relating to the immediate release of information which is expected to be price sensitive
  - response to enquires made of the issuer by the Stock Exchange concerning unusual movements in the price or trading volume of its listed securities
  - compliance with the prescribed minimum percentage of listed securities in public hands
  - pre-emptive rights, being circumstances under which the directors of listed issuer must obtain the consent of shareholders in general meeting prior to allotting, issuing or granting securities
  - disclosure of financial information

*(Note: The above requirements are set out in chapter 13 of and appendix 16 to the Main Board Listing Rules and chapters 17 and 18 of the GEM Listing Rules)*

- Corporate governance practices being followed by listed issuers (Note: These requirements are set out in appendix 14 to the Main Board Listing Rules and appendix 15 to the GEM Listing Rules)
- Securities transactions by directors of listed issuers (Note: These requirements are set out in appendix 10 to the Main Board Listing Rules and chapter 5 of the GEM Listing Rules)
- Notifiable transactions (Note: These requirements are set out in chapter 14 of the Main Board Listing Rules and chapter 19 of the GEM Listing Rules) and connected transactions (Note: These requirements are set out in chapter 14A of the Main Board Listing Rules and chapter 20 of the GEM Listing Rules)
- Undertaking share repurchases (Note: These requirements are set out in rule 10.06 of the Main Board Listing Rules and Rule 13.09 of the GEM Listing Rules)

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## LETTER FROM THE BOARD

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**(c) Salient differences between GEM and Main Board, and the GEM Listing Rules and Main Board Listing Rules**

The following is a summary containing certain selected salient differences between the GEM Listing Rules and the Main Board Listing Rules. The information contained in the following summary can also be found in the website of the Stock Exchange or from the GEM Listing Rules and the Main Board Listing Rules. The following summary only sets out the salient differences between the GEM Listing Rules and the Main Board Listing Rules and are not meant to be exhaustive.

**(i) *Governing structure of the Main Board and GEM***

	<b>Main Board</b>	<b>GEM</b>
Governance of listing matters	<ul style="list-style-type: none"><li>• Main Board Listing Committee</li></ul>	<ul style="list-style-type: none"><li>• GEM Listing Committee</li></ul>
Appeal procedure	<ul style="list-style-type: none"><li>• Listing (Review) Committee</li><li>• Listing Appeals Committee</li></ul>	<ul style="list-style-type: none"><li>• GEM Listing (Review) Committee</li><li>• Listing Appeals Committee (which is the same committee as that for the Main Board)</li></ul>

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## LETTER FROM THE BOARD

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(ii) *Continuing obligations of the Main Board and GEM listed issuers*

	<b>Main Board</b>	<b>GEM</b>
Appointment of compliance adviser	<ul style="list-style-type: none"><li>An issuer must appoint a compliance adviser acceptable to the Stock Exchange for the period commencing on its initial listing date and ending on publication of financial results for the first full financial year after its initial listing. (Rule 3A.19 of the Main Board Listing Rules)</li></ul>	<ul style="list-style-type: none"><li>An issuer must appoint a compliance adviser acceptable to the Stock Exchange for the period commencing on its initial listing date and ending on publication of financial results for the second full financial year after its initial listing. (Rule 6A.19 of the GEM Listing Rules)</li></ul>
Fundamental change in the nature of business	<ul style="list-style-type: none"><li>Within the first 12 months after listing, an issuer may not effect any acquisition or disposal which would result in a fundamental change in its principal business activities as described in its prospectus. However, the Stock Exchange may grant a waiver from this requirement if the circumstances are exceptional and prior independent shareholders' approval is obtained (but the controlling shareholders are not allowed to vote on the relevant resolution). (Rules 14.89 and 14.90 of the Main Board Listing Rules)</li></ul>	<ul style="list-style-type: none"><li>Other than with the prior approval of independent shareholders, an issuer may not, during the remaining financial year in which its listing on GEM occurs and the two financial years thereafter, effect any fundamental change in its principal business activities or that of its group. (Rule 17.25 of the GEM Listing Rules)</li></ul>

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## LETTER FROM THE BOARD

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(iii) *Definition of connected person*

	<b>Main Board</b>	<b>GEM</b>
Definition of connected person	<ul style="list-style-type: none"><li>• The concept of management shareholder does not exist in the Main Board Listing Rules, accordingly the definition of connected person does not include management shareholder. (Rule 14A.11 of the Main Board Listing Rules)</li></ul>	<ul style="list-style-type: none"><li>• Management shareholder is defined as “any person who is (or group of persons who together are) entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the issuer and who is (or are) able, as a practicable matter, to direct or influence the management of the issuer”. Accordingly, a transaction between a GEM listed issuer and a management shareholder is required to comply with the disclosure and shareholders’ approval requirements in chapter 20 of the GEM Listing Rules</li></ul>

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## LETTER FROM THE BOARD

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(iv) *Restrictions on disposal of shares*

	<b>Main Board</b>	<b>GEM</b>
Escrow and non-disposal arrangements for securities	<ul style="list-style-type: none"><li>• A controlling shareholder (or its group) of the listed issuer shall not in the period ending on the date which is six months from the listing date (“Initial Period”), dispose of or encumber (save where permitted under the Main Board Listing Rules) any of those securities of the issuer in respect of which it (or its group) is shown by the listing document to be the beneficial owner(s), and that in the six month period after the Initial Period such controlling shareholder (and its group) shall not dispose of or encumber (save where permitted under the Main Board Listing Rules) any of those aforesaid securities such that immediately after such disposal or the exercise or enforcement of the right relating to the said encumbrance such controlling shareholder (and its group) would cease to be a controlling shareholder. (Rule 10.07(1) of the Main Board Listing Rules)</li><li>• The Main Board Listing Rules do not have requirements relating to placing of securities in escrow</li></ul>	<ul style="list-style-type: none"><li>• The GEM Listing Rules require every initial management shareholder to place his shares in escrow with an escrow agent for a period ending 12 months after the listing date or (in the case where the relevant shareholder’s shares represent no more than 1% of the total issued shares) ending six months after the listing date, and undertake (save where permitted under the GEM Listing Rules) not to dispose of or encumber interest in such shares during such relevant period. (Rule 13.16 of the GEM Listing Rules)</li><li>• The GEM Listing Rules require every significant shareholder to place his shares in escrow with an escrow agent for a period ending six months after the listing date, and undertake (save where permitted under the GEM Listing Rules) not to dispose of or encumber interest in such shares during such period. (Rule 13.17 of the GEM Listing Rules)</li></ul>

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## LETTER FROM THE BOARD

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(v) *Further issues of securities within six months of listing*

	<b>Main Board</b>	<b>GEM</b>
Further issues of securities	<ul style="list-style-type: none"><li>• Save for some exceptions stated in the Main Board Listing Rules, no further securities of the listed issuer may be issued within six months from the date of its listing. (Rule 10.08 of the Main Board Listing Rules)</li></ul>	<ul style="list-style-type: none"><li>• The GEM Listing Rules' requirements in this respect are the same as those in the Main Board Listing Rules except that the GEM Listing Rules contain an additional exception, namely, that an issue of shares and convertible securities is permitted during the relevant period where such issue (i) is for the purpose of an acquisition of assets which would complement the listed issuer's focused line of business and the acquisition will not constitute a major transaction, a very substantial acquisition or a reverse takeover, (ii) will not result in a change in control of the listed issuer (or a controlling shareholder ceasing to be a controlling shareholder after the issue), and (iii) is subject to the approval of the issuer's shareholders in the manner described in the GEM Listing Rules. (Rule 17.29 of the GEM Listing Rules)</li></ul>

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## LETTER FROM THE BOARD

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(vi) *Quarterly financial reporting requirement*

	<b>Main Board</b>	<b>GEM</b>
Publication of quarterly accounts and reports	<ul style="list-style-type: none"> <li>• No requirements on quarterly reporting under the Main Board Listing Rules</li> </ul>	<ul style="list-style-type: none"> <li>• Listed issuers are required to prepare and publish quarterly accounts and in respect of each of the first three and nine month periods of each financial year not later than 45 days after the end of each such period. (Rule 18.66 of the GEM Listing Rules)</li> </ul>

(vii) *Annual listing fees for listed issuers on the Main Board and GEM*

	<b>Main Board</b>			<b>GEM</b>	
	<b>Nominal value of listed equity securities (HK\$ Million)</b>	<b>Annual listing fee (HK\$)</b>		<b>Nominal value of listed equity securities (HK\$ Million)</b>	<b>Annual listing fee (HK\$)</b>
Not exceeding:	200	145,000	Not exceeding:	100	100,000
	300	172,000		2,000	150,000
	400	198,000			
	500	224,000			
	750	290,000			
	1,000	356,000			
	1,500	449,000			
	2,000	541,000			
	2,500	634,000			
	3,000	726,000			
	4,000	898,000			
	5,000	1,069,000			
Over:	5,000	1,188,000	Over:	2,000	200,000

*Note 1:* Where a listed issuer has shares with a nominal value of less than HK\$0.25, then for the purpose of calculating the annual listing fee, the nominal value of each share is deemed to be HK\$0.25.

*Note 2:* For secondary listings on the Main Board, the annual listing fee is normally 25% of the fees listed above.

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## LETTER FROM THE BOARD

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### 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.

### STATEMENT OF INDEBTEDNESS

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

#### **Borrowings**

As at 30 November 2007, the Group had total bank borrowings of approximately HK\$4,860.9 million, comprising bank loans of HK\$4,834.0 million and overdrafts of HK\$26.9 million. The bank borrowings of HK\$185.9 million which were drawn to fund securities margin financing to its clients, were collateralised by its margin clients' securities pledged to the Group for seeking financing. The bank loans of HK\$4,500.0 million were drawn to finance the subscription of IPO shares by its clients.

As at 30 November 2007, a cash deposit of approximately HK\$10.6 million was pledged as collateral for a loan facility of HK\$10.0 million which was fully drawdown at 30 November 2007. Another deposit of HK\$44.0 million was pledged to facilitate a letter of credit of HK\$44.0 million granted to a subsidiary of the Company. A further deposit of HK\$1.0 million was pledged to secure a general banking facility granted to a subsidiary of the Company. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15.0 million with the bank as a pre-condition for an overdraft facility of HK\$15.0 million granted by the bank. Therefore a bank deposit of approximately HK\$16.9 million was held for this purpose.

#### **Contingent liabilities**

On 29 August 2002, Pang Po King Cannie ("Pang") filed a statement of claim for an amount of HK\$2,893,561.16 less the realizable value of the 1,046,000 shares of Takson Holdings Limited (stock code: 918) against Celestial Securities Limited ("Celestial Securities"), a wholly-owned subsidiary of the Company, alleging that the Celestial Securities, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with Celestial Securities to deal in shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. Settlement has been reached between Pang and Celestial Securities and no admission of liability was made by either party. The date for trial fixed from 8 to 11 and 14 January 2008 was vacated under the order of the Honourable Mr. Justice A. Cheung dated 7 January 2008. The total legal costs and other related expenses incurred and to be incurred by the Group in connection with the settlement of the claim are estimated to be approximately HK\$4 million. The Directors confirmed that the settlement of the claim did and will not have material impact on the financial position of the Group.

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



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## LETTER FROM THE BOARD

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### Disclaimers

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

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

#### Net current assets

As at 31 July 2007 and 30 November 2007, the Group had audited net current assets of approximately HK\$327.9 million and HK\$613.8 million respectively.

	As at 31 July 2007 (Audited) <i>HK\$ million</i>	As at 30 November 2007 (Unaudited) <i>HK\$ million</i>
<b>Current assets</b>		
Account receivables, loan receivables, prepayments, deposits and other receivables	1,083.8	5,484.4
Amount due from ultimate holding company, associates and fellow subsidiaries	9.6	–
Investments held for trading	24.1	33.1
Bank balances (trust and segregated accounts)	879.8	748.4
Bank balances (general accounts) and cash	157.1	279.4
Bank deposits under conditions	28.3	72.8
	2,182.7	6,618.1
	2,182.7	6,618.1
<b>Current liabilities</b>		
Account payables, accrued liabilities and other payables	1,412.7	1,114.0
Taxable payable	18.7	15.7
Obligations under finance leases		
– amount due within one year	0.1	–
Bank borrowings		
– amount due within one year	409.6	4,860.9
Loan from minority shareholder	13.7	13.7
	1,854.8	6,004.3
	1,854.8	6,004.3
Net current assets	327.9	613.8

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## LETTER FROM THE BOARD

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### Capital commitments

On 27 June 2007, the Company announced that on the same date, through its subsidiary, formed a joint venture with maximum commitment of the Group of up to RMB150 million (approximately HK\$153.2 million) with other parties to invest in a property in Shanghai, the PRC which comprises a 11-storey office tower, a single-storey retail podium and a single-storey car parking basement, and part of property may be used as the Company's offices. Up to 30 November 2007, total amounts of HK\$78.39 million have been paid to the joint venture by the Group which represent that the share of capital contribution of the Group due.

Save as disclosed herein, the Group currently does not have any future plans for material investments or capital assets.

### Foreign currency exposure

As at 30 November 2007, the Group did not have any material unhedged foreign exchange exposure or interest rate mismatch.

### Working capital

The Directors are of the opinion that taking into account the Group's existing cash and bank balances as well as the present available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of publication of this circular.

### Net tangible assets attributable to equity holders of parent

The following statement shows the Group's net assets attributable to equity holders of the Company as at 31 December 2006, which is calculated from the amount of the net asset value as extracted from the accountants' report of the Group as contained in the Listing Document.

Audited net assets attributable to equity holders of the Company	
as at 31 December 2006 ( <i>Note 1</i> ) .....	HK\$484,031,000
Audited net tangible asset value per Share ( <i>Note 2</i> ) .....	HK\$0.24

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## LETTER FROM THE BOARD

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*Notes:*

1. An amount of approximately HK\$33.9 million intangible assets and goodwill of approximately HK\$117.2 million were accounted for in the net assets as set out in the accountants' report of the Group. There was a change of the audited net assets attributable to equity holders of the Group by HK\$4,200,000 as disclosed in the Company's 2006 annual report of HK\$479,831,000 with that as disclosed in this circular of HK\$484,031,000. The variance was due to the application of the most current HKFRSs for the track record period from 1 January 2004 to 31 July 2007 in preparation of the accountants' report of the Group for inclusion into the Listing Document. Adjustments have been taken up on HKFRS3 "Business Combination" for non-amortisation of goodwill of HK\$2,370,000 and HKAS 38 "Intangible Assets" for non-amortisation of trading rights of HK\$1,830,000 for the year ended 31 December 2004. Therefore, the balances of goodwill, intangible assets and reserves for the year ended 31 December 2006 have been amended accordingly.
2. The audited net asset value per Share is calculated on the basis of 1,382,051,448 Shares in issue as at 31 December 2006.

### **No material change**

The Directors have confirmed that there was no material change in the Group's contingent liabilities and the Group's indebtedness since 31 July 2007.

### **ADOPTION OF THE PROPOSED SHARE OPTION SCHEME AND TERMINATION OF THE GEM SHARE OPTION SCHEME**

In connection with the Proposed Introduction, the Directors propose the adoption of the Proposed Share Option Scheme, the provisions of which will comply with the requirements of Chapter 17 of the Main Board Listing Rules in substitution of the existing GEM Share Option Scheme. A summary of the principal terms of the Proposed Share Option Scheme is set out in Appendix I to this circular.

The Proposed Share Option Scheme will enable the Directors to grant options to certain selected participants as incentives or rewards for their contribution to the Group.

The Company has applied to the Stock Exchange for the listing of, and permission to deal in, on Main Board any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme.

The adoption of the Proposed Share Option Scheme is conditional upon:

- (i) the passing of ordinary resolution by the Shareholders at the SGM approving the termination of the GEM Share Option Scheme;

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## LETTER FROM THE BOARD

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- (ii) the passing of ordinary resolution by the Shareholders at the SGM approving the adoption of the Proposed Share Option Scheme and authorising the Directors to grant options thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options which may be granted pursuant to the Proposed Share Option Scheme;
- (iii) the passing of ordinary resolution by the shareholders of CASH at a special general meeting of CASH approving the adoption of the Proposed Share Option Scheme;
- (iv) the Main Board Listing Committee granting approval for the listing of, and permission to deal in, on the Main Board any Shares which may be issued pursuant to the exercise of any options which may be granted pursuant to the Proposed Share Option Scheme; and
- (v) commencement of dealings in the Shares on the Main Board.

It is proposed that the GEM Share Option Scheme will be terminated upon the adoption of the Proposed Share Option Scheme after all the conditions of the Proposed Share Option Scheme have been fulfilled.

Outstanding options that had been granted pursuant to the GEM Share Option Scheme as at the Latest Practicable Date would entitle the holders thereof to subscribe for a total of 5,424,341 Shares. Upon termination of the GEM Share Option Scheme, no further options may be offered or granted thereunder. Apart from the GEM Share Option Scheme, there was no other subsisting share option scheme of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,076,972,027 Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of adoption of the Proposed Share Option Scheme, the number of Shares issuable pursuant to the Proposed Share Option Scheme and any other share option schemes of the Company on the date of adoption of the Proposed Share Option Scheme will be 207,697,202 Shares, representing approximately 10% of the total number of Shares in issue as at the date of approval of the Proposed Share Option Scheme.

### **ADOPTION OF THE NEW BYE-LAWS**

In connection with the Proposed Introduction, the Board proposes to seek the approval of the Shareholders for the adoption of the New Bye-laws, the provisions of which will comply with the requirements of the Main Board Listing Rules and the Bermuda laws at the SGM. A summary of the principal terms of the New Bye-laws is set out in Appendix II to this circular. The New Bye-laws will substitute the Existing Bye-laws when the New Bye-laws shall have been approved and adopted by the Shareholders at the SGM and shall become unconditional upon the date on which dealings in the Shares on the Main Board first commence.

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## LETTER FROM THE BOARD

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### Conditions of the New Bye-laws

The adoption of the New Bye-laws is conditional upon:

- (a) the passing of a special resolution by the Shareholders at the SGM to approve and adopt the New Bye-laws in substitution for the Existing Bye-laws; and
- (b) the commencement of dealings in the Shares on the Main Board.

### GENERAL MANDATES

In connection with the Proposed Introduction and the change of issued share capital of the Company after the annual general meeting held on 1 June 2007 during which the Directors were granted the Existing General Mandates, the Directors proposed to seek the approval of the Shareholders to revoke the Existing General Mandates and to grant new general mandates to the Directors (i) to allot, issue and deal with Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution at the SGM; and (ii) to repurchase Shares with an aggregate nominal amount up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution at the SGM (ie. the Buyback Mandate). Both new general mandates will expire on the earliest of: (a) the conclusion of the next annual general meeting of the Company ("AGM"); (b) the expiration of the period within which the next AGM is required by the New Bye-laws of the Company or any applicable laws to be held; or (c) the revocation or variation of the relevant resolution by an ordinary resolution of the Shareholders in general meeting. Another ordinary resolution will also be proposed at the SGM to add to the new general mandate to be granted to the Directors to allot, issue and deal with Shares by an amount representing the aggregate nominal amount of the share capital of the Company (up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution) repurchased under the Buyback Mandate. The relevant resolution is set out as resolution no. 5 in the SGM Notice.

An explanatory statement containing all relevant information relating to the Buyback Mandate is set out in Appendix III to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Buyback Mandate at the SGM.

The Directors confirm that they have not exercised the Existing General Mandates to issue Shares or repurchase Shares after granting thereof to the Directors on 1 June 2007 and that they have no present intention to exercise such general mandates prior to the proposed listing of the Shares on the Main Board.

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## LETTER FROM THE BOARD

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### NON-COMPETITION UNDERTAKING

#### (i) Details of the non-competition undertaking

In connection with the Proposed Introduction, CASH has entered into a deed of undertaking with the Company on 25 January 2008. Pursuant to the deed of undertaking, 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.

#### (ii) Reasons for entering into a new non-competition undertaking

CASH had entered into an old non-competition undertaking with the Company on 10 December 2000 when the Shares was listed on GEM in 2000. At that time, it was the intention that CASH, the holding company of the Company, would not enter into any online securities and commodity trading business of which the Company was carrying on, and CASH still retained the offline (traditional) brokerage and other financial services business in the securities and commodity market.

As time passed, all the financial services businesses including the entire brokerage business were carrying on by the Company. After many products have been added, the Group is now providing a full range of financial services to its clients. Therefore, the respective directors of the Company and CASH are of the view that a new non-competition undertaking should be entered into to reflect the new situation that the Group is engaged in both the online and offline (traditional) brokerage and other financial services businesses.

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## LETTER FROM THE BOARD

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### THE SGM

The SGM Notice is set out on pages 66 to 71 of this circular. Ordinary resolutions will be proposed to the Shareholders at the SGM to consider and, if thought fit, approve, amongst other things, the following:

- (i) the Proposed Withdrawal;
- (ii) the proposed reduction in the notice period for the Proposed Withdrawal;
- (iii) the proposed termination of the GEM Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme; and
- (iv) the revocation of the Existing General Mandates and the granting of new general mandates to issue and repurchase Shares.

Further, a special resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the New Bye-laws in substitution for the Existing Bye-laws.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's principal place of business in Hong Kong, 21st Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so wish.

There will not be closure of register of members of the Company in respect of the SGM. Shareholders whose names appear on the register of members of the Company as at 4:00 p.m. on the Business Day immediately before the date of the SGM are entitled to attend and vote at the SGM.

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## LETTER FROM THE BOARD

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### RIGHT TO DEMAND A POLL

Pursuant to the Existing Bye-laws of the Company, at any general meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hand unless a poll is taken as may from time to time be required under the GEM Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (i) the chairman of the meeting;
- (ii) at least three members of the Company present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (iii) any member or members present in person or by proxy and holding shares conferring right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

### DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Listing Document including the rules of the Proposed Share Option Scheme are enclosed with this circular, for information purposes only, and will also be available for inspection at the principal place of business of the Company in Hong Kong at 21st Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including 22 February 2008, the date of the SGM.

### RECOMMENDATION

The Board considers that the Proposed Withdrawal, the proposed reduction in the notice period for the Proposed Withdrawal, the proposed termination of the GEM Share Option Scheme and the proposed adoption of the Proposed Share Option Scheme, proposed grant of new general mandates and the proposed adoption of New Bye-laws are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the ordinary resolutions and the special resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.



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## LETTER FROM THE BOARD

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### WARNING

Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal and the Proposed Introduction are subject to the conditions set out in the section headed “Conditions of the Proposed Withdrawal and the Proposed Introduction”, and thus the Proposed Withdrawal and the Proposed Introduction may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

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

*The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme to be adopted by the Shareholders at the SGM to replace the GEM Share Option Scheme.*

**1. PURPOSE**

The purpose of the Proposed Share Option Scheme is to enable the Company to grant options to the Participants (as defined in paragraph 2 below) as incentives and/or rewards for their contribution to the Company and/or the subsidiaries (the “Group”), and any of its associated companies, the Group’s holding company and the subsidiaries and the associated companies to the Group’s holding company (the “Members of the Group”).

**2. WHO MAY JOIN**

The Board may, at its discretion, offer participants (being employees (whether full time or part time), executives and officers of the Members of the Group (including executive and non-executive directors of the Members of the Group and business consultants, agents and legal and financial advisers to the Members of the Group who the Board considers, in its sole discretion, will contribute or have contributed to the Members of the Group) (“Participants”) options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee thereof shall pay HK\$1.00 to the Company by way of consideration for the grant.

**3. MAXIMUM NUMBER OF SHARES**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total issued Shares (i.e. 207,697,202) Shares, assuming that no Shares will be issued or repurchased prior to the date of the SGM as at the date of approval and adoption of the Proposed Share Option Scheme by the Shareholders (which is expected to be 22 February 2008, being the date of the SGM). Options lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Main Board Listing Rules from time to time, the Board may:

- (i) refresh this limit at any time up to 10% of the Shares in issue as at the date of the approval of the limit as refreshed by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

- (ii) grant options beyond the 10% limit to Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose and such other information as required under the Main Board Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

#### **4. MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Proposed Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period up to the date of grant shall not exceed one per cent of the Shares in issue as at the date of grant.

Any further grant of options in excess of this one per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Participant and his associates (as defined in the Main Board Listing Rules) abstaining from voting and other requirements prescribed under the Main Board Listing Rules from time to time.

#### **5. SUBSCRIPTION PRICE OF SHARES**

The subscription price for a Share in respect of any particular option granted under the Proposed Share Option Scheme (subject to adjustments referred to in paragraph 18) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the closing price of the Shares as stated in the Main Board's daily quotations sheet on the date of offer to grant option, (b) the average of the closing prices of the Shares as stated in the Main Board's daily quotations sheet for the five (5) business days immediately preceding the date of offer to grant option; and (c) the nominal value of a Share.

**6. GRANTING OPTIONS TO CONNECTED PERSONS**

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined in the Main Board Listing Rules) is required to be approved by the independent non-executive directors (excluding any independent non-executive director who is the relevant Participant).

If the Board proposes to grant options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates which will result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person under this Scheme and the other schemes in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may from time to time be specified in the Main Board Listing Rules, of the Shares in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares as stated in the daily quotation sheets of the Main Board on the Offer Date, or such other amount as may from time to time be specified in the Main Board Listing Rules,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Main Board Listing Rules) of the Company shall abstain from voting, in favour at the general meeting such other requirements prescribed under the Main Board Listing Rules from time to time.

**7. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS**

For so long as the Share are listed on the Main Board, an offer to grant option may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Main Board Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules); and (b) the deadline for the Company to publish its interim or results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules) announcement under the listing agreement and ending on the date of actual publication of the results announcement.

**8. RIGHTS ARE PERSONAL TO GRANTEE**

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

**9. TIME OF EXERCISE OF OPTION**

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Proposed Share Option Scheme. Subject to earlier termination by the Company in general meeting, the Proposed Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Proposed Share Option Scheme by Shareholders by resolution at a general meeting.

**10. PERFORMANCE TARGET**

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Proposed Share Option Scheme can be exercised.

**11. RIGHTS ON CEASING TO BE A PARTICIPANT AND DEATH**

If the grantee of an option ceases to be an employee of the Members of the Group

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph 12 below, the option (to the extent not already exercised) will lapse on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation,

which date shall be the last actual working day with the Company or the relevant Members of the Group whether salary is paid in lieu of notice or not.

**12. LAPSE OF OPTION ON MISCONDUCT, BANKRUPTCY OR DISMISSAL ETC.**

If a grantee ceases to be a Participant by reason of the termination of his relationship with the Members of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Members of the Group (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the Members of the Group.

**13. RIGHTS ON GENERAL OFFER**

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the grantee shall be entitled to exercise the option in full (to the extent not already exercised even though the option period has not come into effect during the occurrence of the general offer) at any time within 21 days of the notice given by any such offeror to acquire the remaining Shares.

**14. RIGHTS ON COMPROMISE OR ARRANGEMENT BETWEEN THE COMPANY AND ITS MEMBERS OR CREDITORS**

If a general offer by way of scheme of arrangement is made to all the holders of Shares with the Proposed Share Option Scheme having been approved by the necessary number of holders of Shares at the requisite meetings, the grantee may thereafter (but before such time as shall be notified by the Company) exercise the option (to the extent not already exercised even though the option period has not come into effect during the occurrence of the general offer) to its full extent or to the extent specified in such notice.

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

**15. RIGHTS ON WINDING-UP**

In the event that a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the grantee and the grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 trading days prior to the proposed shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

**16. LAPSE OF THE OPTIONS**

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry date relevant to that option;
- (ii) the expiry of any of the periods referred to in paragraph 11;
- (iii) subject to the scheme of arrangement of the Company becoming effective, the expiry of the period referring to in paragraph 14;
- (iv) subject to the voluntary winding-up duly resolved, the expiry of the period referred to in paragraph 15;
- (v) the date of commencement of the winding-up of the Company;
- (vi) subject to the High Court of Hong Kong or Supreme Court of Bermuda not making an order prohibiting the offeror to acquire the remaining Shares in the offer, the expiry of the period referred to in paragraph 13;

- (vii) the date on which the grantee ceases to be a Participant by reason of the termination of his relationship with the Members of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Members of the Group (if so determined by the Board of the Members of the Group) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Members of the Group. A resolution of the Board or the board of directors of the relevant Members of the Group to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive; or
- (viii) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 12 above or the options are cancelled in accordance with paragraph 20 below.

#### **17. RANKING OF SHARES**

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject as aforesaid, the Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the constitutional documents of the Company and the Companies Act of Bermuda for the time being in force and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made on or after the relevant date of issue.

#### **18. EFFECT OF ALTERATIONS TO CAPITAL**

In the event of capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of the capital of the Company, such corresponding alterations (if any) shall be made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) in (a) the number of Shares subject to any outstanding options and/or (b) the exercise price as the auditors or the approved independent financial adviser shall at the request of the Company or any grantee, certify in writing, to be in their opinion fair and reasonable and satisfied the requirements under the Main Board Listing Rules, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with



the supplementary guidance attached to the letter from the Main Board dated 5 September 2005 to all issuers relating to share option schemes which can be found on the Main Board's website [www.hkex.com.hk](http://www.hkex.com.hk) ("Supplemental Guidance")) as that to which he or she was entitled to subscribe had he or she exercised all the options held by him immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. Any adjustment to be made will comply with the Main Board Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Main Board Listing Rule issued by the Main Board from time to time.

#### **19. ALTERATION OF PROPOSED SHARE OPTION SCHEME**

The terms and conditions of the Proposed Share Option Scheme and the regulations for the administration and operation of the Proposed Share Option Scheme (provided that the same are not inconsistent with the Proposed Share Option Scheme and the Main Board Listing Rules) may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Main Board Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Proposed Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Proposed Share Option Scheme),

must be made with the prior approval of the shareholders of the Company in general meeting at which any person(s) to whom or for whose benefit the Shares may be issued under the Proposed Share Option Scheme and their respective associates shall abstain from voting PROVIDED THAT the amended terms of the Proposed Share Option Scheme or the options shall remain in compliance with Chapter 17 of the Main Board Listing Rules and no alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with:

- (i) the consent in writing of grantees holding in aggregate options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date; or
- (ii) the sanction of a special resolution.

Written notice of any alterations made in accordance with this paragraph 19 shall be given to all grantees.

In respect of any meeting of grantees referred to in paragraph 19, all the provisions of the constitutional documents for the time being of the Company as to general meetings of the Company shall mutatis mutandis apply as though the options were a class of shares forming part of the capital of the Company except that:

- (a) not less than seven days' notice of such meeting shall be given;
- (b) a quorum at any such meeting shall be two grantees present in person or by proxy and holding options entitling them to the issue of one-tenth in nominal value of all Shares which would fall to be issued upon the exercise of all options then outstanding unless there is only one grantee holding all options then outstanding, in which case the quorum shall be one grantee;
- (c) every grantee present in person or by proxy at any such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he or she would be entitled upon exercise in full of his options then outstanding;
- (d) any grantee present in person or by proxy may demand a poll; and
- (e) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those grantees who are then present in person or by proxy shall form a quorum and at least seven days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those grantees who are then present in person or by proxy shall form a quorum.

## **20. CANCELLATION OF OPTIONS**

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options in writing for the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraphs 12 and 16. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the Proposed Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

**21. TERMINATION OF THE PROPOSED SHARE OPTION SCHEME**

The Company may by resolution in general meeting or the Board may at any time resolve to terminate the Proposed Share Option Scheme and in such event no further option shall be offered but the provisions of the Proposed Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of this Scheme. Details of the options granted, including options exercised or outstanding, under the Proposed Share Option Scheme shall be disclosed in the circular to shareholders of the Company seeking approval of the new scheme established after the termination of the Proposed Share Option Scheme.

**22. CONDITIONS OF THE PROPOSED SHARE OPTION SCHEME**

The terms of the Proposed Share Option Scheme are in compliance with the Main Board Listing Rules. The Proposed Share Option Scheme is conditional on:

- (i) the approval of the Shareholders at the SGM on the termination of the GEM Share Option Scheme;
- (ii) the approval of the Shareholders at the SGM on the adoption of the Proposed Share Option Scheme by the Company and the issue of Shares pursuant to the exercise of any options which may be granted thereunder;
- (iii) the approval of the shareholders of CASH at a special general meeting of CASH on the adoption of the Proposed Share Option Scheme;
- (iv) the Main Board Listing Committee granting approval of the listing of, and permission to deal in, on the Main Board, the Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Proposed Share Option Scheme; and
- (v) the commencement of dealing in Shares on the Main Board.

**23. DISCLOSURE IN ANNUAL AND HALF-YEARLY REPORTS**

The Company will disclose details of the options granted under the Proposed Share Option Scheme in its annual and half-yearly reports in accordance with the Main Board Listing Rules in force from time to time.

*In connection with the Proposed Introduction, the Board proposes to seek the approval of the Shareholders for the adoption of the New Bye-laws, the provisions of which will comply with the requirements of the Main Board Listing Rules and the Bermuda law, at the SGM.*

*Set forth below is a summary of the principal provisions of the New Bye-laws proposed to be adopted by the Company at the SGM:*

## **1. MEMORANDUM OF ASSOCIATION**

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act, excluding paragraph 8 thereof. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

## **2. BYE-LAWS**

The following is a summary of certain provisions of the New Bye-laws proposed to be adopted at the SGM:

### **(a) Directors**

#### **(i) *Power to allot and issue shares and warrants***

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at

the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(ii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

***(iii) Compensation or payments for loss of office***

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(iv) Loans and provision of security for loans to Directors***

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors.

***(v) Financial assistance to purchase shares of the Company***

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act.

***(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the Directors may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the Directors may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case, at the first meeting of the Directors after he knows that he is or his associate(s) is or has become so interested.

Save as otherwise provided by the Companies Act and to the Bye-laws, a Director shall not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

- (dd) any contract or arrangement concerning an offer of shares, debentures or other securities of or by the Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or subunderwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associates owns five per cent. or more of the equity capital or voting rights of any class of shares of such company (or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through the Company; or
- (gg) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;



- (hh) any proposal concerning the adoption, modification or operation of any share option scheme, any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Bye-laws.

In addition, 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.

**(vii) *Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or exDirector who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and exemployees of the Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and exemployees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or exemployees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(viii) Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection at the meeting. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director 14 days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

**(ix) *Borrowing powers***

The Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

**(b) *Alterations to constitutional documents***

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a member being a corporation, its duly authorised representative) or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

**(e) Special resolution by majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

**(f) Voting rights (generally and on a poll) and rights to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or, being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Bye-laws) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the Board.

**(h) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and income statement, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least 21 days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company in general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.



Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least 21 clear days' notice in writing, and any other special general meeting shall be called by at least 14 clear days' notice (in each case exclusive of the day on which the notice is given or deemed to be given and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

**(k) Power for the Company to purchase its own shares**

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the Board upon such terms and conditions as it thinks fit.

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than 14 clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of nonpayment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding 20 per cent. per annum as the Board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members without charge, or by any other person upon a maximum payment of five Bermuda dollars, at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act or, upon a maximum payment of \$10, at the Registration Office (as defined in the Bye-laws), unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.



*This is an explanatory statement to provide all Shareholders with requisite information relating to the Repurchase Resolution to be proposed at the SGM authorising the Buyback Mandate.*

*This explanatory statement contains all the information required pursuant to Rule 10.06 of the Main Board Listing Rules, which is set out as below:*

**(A) PROVISIONS OF THE MAIN BOARD LISTING RULES**

The Main Board Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

**(i) Shareholders' approval**

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

**(ii) Source of funds**

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the laws of Bermuda. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(B) REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

**(C) FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws of Bermuda.

Any repurchase of Shares will be made out of funds of the Company available for dividend or distribution or the proceeds of a fresh issue of shares made for the purpose of the purchase or out of capital paid up on the Shares to be repurchased and, in the case of any premium payable on the purchase, out of funds of the Company available for dividend or distribution or from sums standing to the credit of the share premium account of the Company.

The Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

**(D) SHARE CAPITAL**

Exercise in full of the Buyback Mandate, on the basis of 2,076,972,027 Shares in issue immediately after the listing of the Shares on the Main Board (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the options which was granted under the GEM Share Option Scheme or may be granted under the Proposed Share Option Scheme), could accordingly result in up to 207,697,202 Shares being repurchased by the Company during the period until:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Bye-laws to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

**(E) SHARE REPURCHASES BY THE COMPANY**

No purchase has been made by the Company of its Shares in the six months prior to the Latest Practicable Date.

**(F) SHARE PRICES**

The highest and lowest prices at which the Shares traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2007</b>		
January	0.429	0.364
February	0.382	0.343
March	0.371	0.311
April	0.396	0.354
May	0.557	0.371
June	0.793	0.479
July	0.743	0.536
August	0.686	0.429
September	0.700	0.557
October	0.770	0.536
November	0.790	0.620
December	0.680	0.590
<b>2008</b>		
January (up to the Latest Practicable Date)	0.650	0.470

**(G) GENERAL**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Main Board Listing Rules), has any present intention to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Main Board Listing Rules and the applicable laws of Bermuda. The Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Main Board Listing Rules) has notified the Company that he/she or it has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately after listing of the Shares on the Main Board (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which was granted under the GEM Share Option Scheme or may be granted under the Proposed Share Option Scheme), the total number of Share which will be repurchased pursuant to the Buyback Mandate shall be 207,697,202 Shares (being 10% of the issued share capital of the Company based on the aforesaid assumptions). The percentage shareholding of Celestial Investment Group Limited (the controlling Shareholder of the Company) and the parties acting in concert with it (has the meaning ascribed thereto under the Code) which include Cash Guardian Limited, Mr. Law Ping Wah, Mr. Wong Kin Yick Kenneth, Mr. Lin Che Chu George and Mr. Kwan Pak Leung Horace and his wife will be increased from approximately 51.99% to approximately 57.77% of the issued share capital of the Company immediately following the full exercise of the Buyback Mandate. In the event that the Buyback Mandate is exercised in full, the number of Shares held by the public would be maintained at above 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Main Board Listing Rules requirements regarding the public float under Rule 8.08 of the Main Board Listing Rules. However, the Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Main Board Listing Rules.

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## NOTICE OF THE SGM

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FINANCIAL SERVICES GROUP

時富金融服務集團

### **CASH Financial Services Group Limited**

**時富金融服務集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**Stock code on Main Board: 510**

**Stock code on GEM: 8122**

**NOTICE IS HEREBY GIVEN** that a special general meeting of CASH Financial Services Group Limited (the “Company”) will be held at 21st Floor, The Center, 99 Queen’s Road Central, Hong Kong, on 22 February 2008 at 9:30 a.m., Hong Kong, for the purpose of considering and, if thought fit, passing the following resolutions nos. 1, 2, 3, 4 and 5 as ordinary resolutions and the following resolution no. 6 as a special resolution, with or without modifications:

#### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (A) conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting approval of the listing of, and permission to deal on the main board of the Stock Exchange in, (i) the shares of HK\$0.10 each in the issued share capital of the Company (“Shares”); (ii) any Shares which may be issuable upon the exercise of any options which were granted under the share option scheme adopted by the Company pursuant to a resolution passed by the shareholders of the Company on 19 February 2002 (“GEM Share Option Scheme”); (iii) any Shares which may be issuable upon the exercise of any options which may be granted under the proposed share option scheme to be conditionally adopted at the special general meeting (“Proposed Share Option Scheme”) (as defined in resolution no. 2 set out in the notice convening this meeting), if the same having been approved; (2) the publication by the Company of a notice in respect of the proposed withdrawal of listing of the Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (“Proposed Withdrawal”) which shall be published not less than such period as the shareholders of the Company shall approve under resolution no. (B) in this resolution no. 1, prior to the date on which the Proposed

\* *For identification purposes only*

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Withdrawal is effective; and (3) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and the fulfillment of all conditions which may be attached to such consents, if any, the listing of the Shares on GEM shall cease with effect from such date and time as the directors of the Company (“Directors”) may designate and as acceptable to the Stock Exchange and any Director or the company secretary of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he/she may deem necessary, desirable or expedient to effect and implement the forgoing; and

- (B) the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on the GEM in connection with the Proposed Withdrawal be reduced to a minimum period of five clear days on which the Stock Exchange is open for the business of dealing in securities from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

2. **“THAT** conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal on the main board of the Stock Exchange in, (i) the Shares; (ii) any Shares which may be issuable upon the exercise of any options which were granted under the GEM Share Option Scheme (as defined in resolution no. 1 set out in the notice convening this meeting); (iii) any Shares which may be granted under the new share option scheme (“Proposed Share Option Scheme”) (the rules of which are set out in the document marked “A” produced to this meeting and initialed by the Chairman of this meeting for the purpose of identification); and upon the commencement of dealing on the Shares on the main board of the Stock Exchange:

- (A) the Proposed Share Option Scheme be and is hereby approved and adopted by the Company and the Board be and is hereby authorised, at its absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with any Shares pursuant to the exercise of the subscription rights under any option which may be granted under the Proposed Share Option Scheme and to do all such acts as it may in its absolute discretion consider necessary or expedient in order to give full effect to the Proposed Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and
- (B) the GEM Share Option Scheme be terminated with effect from the date on which the Proposed Share Option Scheme becomes unconditional and effective.”

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3. **“THAT:**

- (A) subject to paragraph 3(C), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph 3(A) shall authorise the directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the approval in paragraph 3(A), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on the Stock Exchange and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly;
- (D) for the purposes of this resolution:

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

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

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

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

- (E) the general mandate to issue shares in the Company granted to the Directors pursuant to ordinary resolution no.5A as set out in the notice of the annual general meeting of the Company held on 1 June 2007 be and is hereby revoked.”

4. **“THAT:**

- (A) subject to paragraph 4(B), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

- (B) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph 4(A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly;

- (C) for the purposes of this resolution:

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

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



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2. the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
  3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
- (D) the general mandate to repurchase shares in the Company granted to the Directors pursuant to resolution no.5B as set out in the notice of the annual general meeting of the Company held on 1 June 2007 be and is hereby revoked.”
5. “**THAT** conditional upon resolutions nos. 3 and 4 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no.4 above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 3 above.”

### SPECIAL RESOLUTION

6. “**THAT** conditional upon the listing of the Shares on the Main Board, the bye-laws contained in the document marked “B” produced to this meeting and initialled by the Chairman of this meeting for the purpose of identification be and are hereby approved and adopted as the new bye-laws of the Company in substitution for and to the exclusion of all the existing bye-laws of the Company, with effect from the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence.”

By order of the Board  
**Suzanne W S Luke**  
*Company Secretary*

Hong Kong, 30 January 2008

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## NOTICE OF THE SGM

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As at the date of the SGM Notice, the Board comprises:

*Executive Directors*

Kwan Pak Hoo Bankee  
Wong Kin Yick Kenneth  
Law Ping Wah  
Cheng Man Pan  
Chan Chi Ming

*Independent non-executive Directors*

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

*Registered office*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong*

21st Floor  
The Center  
99 Queen's Road Central  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the meeting if the member so desires.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited with the Company's principal place of business in Hong Kong, 21st Floor, The Center, 99 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.