
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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**CASH FINANCIAL SERVICES GROUP LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

**PROPOSED DISTRIBUTION IN SPECIE
OF SHARES IN THE PRIVATECO**

AND

NOTICE OF SPECIAL GENERAL MEETING

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

VINC 

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A notice convening a special general meeting of the Company to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on Tuesday, 18 June 2013 at 9:30 am is set out on pages 129 to 130 of this circular. A letter from Vinco Capital (as defined herein) containing its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) in relation to, inter alia, the Distribution In Specie (as defined herein) is set out on pages 34 to 47 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

31 May 2013

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EXPECTED TIMETABLE

2013

Latest time for lodging forms of proxy for the SGM.	9:30 am on Sunday, 16 June
Latest time for lodging forms of proxy for the CASH SGM	10:00 am on Sunday, 16 June
The SGM	9:30 am on Tuesday, 18 June
The CASH SGM	10:00 am on Tuesday, 18 June
Last day of dealing in the Shares on a cum entitlement basis to the Distribution In Specie.	Wednesday, 19 June
First day of dealing in the Shares on an ex-entitlement basis to the Distribution In Specie.	Thursday, 20 June
Latest time for lodging transfers of the Shares for entitlements to the Distribution In Specie	4:00 pm on Friday, 21 June
Closure of register of members of the Company	Monday and Tuesday, 24 and 25 June
Record Date for determination of entitlements to the Distribution In Specie	Tuesday, 25 June
Register of members of the Company re-opens	Wednesday, 26 June
Distribution Completion	On or before Wednesday, 26 June
Despatch of the Privateco Offer Document	Friday, 28 June
The Privateco Offer opens.	Friday, 28 June
Latest time and date for acceptance of the Privateco Offer	4:00 pm on Friday, 19 July
Closing day of the Privateco Offer	Friday, 19 July
Announcement of the results of the Privateco Offer	Friday, 19 July
Latest date of posting the cheques in respect of valid acceptance received under the Privateco Offer or the share certificates for Privateco Shares	On or before Friday, 26 July

Note:

- Dates and deadline stated in the Circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong time.*

DEFINITIONS

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

“Accountants”	Deloitte Touche Tohmatsu, Certified Public Accountants and auditor of the Company
“Act”	the BVI Business Companies Act, 2004 of the British Virgin Islands
“acting in concert”	having the meaning as defined in the Takeovers Code
“associate(s)”	having the meaning as defined in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CASH”	Celestial Asia Securities Holdings Limited (Stock code: 1049), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange. It is currently the holding company of the Company
“CASH Board”	the board of directors of CASH
“CASH Directors”	the directors of CASH
“CASH SGM”	the special general meeting of CASH to be held on 18 June 2013 at 10:00 am to consider and, if thought fit, approve the Privateco Offer
“CASH Shareholder(s)”	the holder(s) of the CASH Shares
“Celestial Capital”	Celestial Capital Limited, a company incorporated in Hong Kong with limited liability, and is a wholly-owned subsidiary of the Company and an indirect non-wholly-owned subsidiary of CASH held through the Company. It is a licensed corporation under the SFO which is engaged in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities, and the financial adviser to CIGL
“CIGL” or “Offeror”	Celestial Investment Group Limited, a company incorporated in the BVI with limited liability, and is a wholly-owned subsidiary of CASH

DEFINITIONS

“CIGL Concert Party Group”	CIGL and parties acting in concert with it for the purposes of the Takeovers Code, including CASH, the CASH Directors and Cash Guardian Limited (a company ultimately wholly-owned by Mr Kwan Pak Hoo Bankee)
“Circular”	this circular in relation to the Distribution In Specie
“Company” or “CFSG”	CASH Financial Services Group Limited (Stock code: 510), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange. It is currently beneficially owned as to approximately 42.75% equity interests by CIGL and accounted as a non-wholly-owned subsidiary of CASH
“Directors”	the directors of the Company
“Distributed Businesses”	the retail management businesses operated by the Privateco Group, including, among others, retailing of furniture, household goods and electrical appliances under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC
“Distribution Completion”	completion of the Distribution In Specie
“Distribution In Specie”	the distribution in specie of the Privateco Shares by the Company to the Qualifying Shareholders on the Record Date
“Excluded Overseas Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it is necessary or expedient not to extend Privateco Shares from the Distribution In Specie on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, which has been formed for the purpose of advising the Independent Shareholders in respect of the Distribution In Specie

DEFINITIONS

“Independent Shareholder(s)”	the Shareholder(s) other than the CIGL Concert Party Group
“Infinity”	Infinity Equity Management Company Limited, a company incorporated in Hong Kong with limited liability, which is engaged in business of venture capital and private equity management in the PRC
“Joint Announcement”	the joint announcement made by the Company and CASH on 15 May 2013 in relation to, inter alia, the Distribution In Specie and the Privateco Offer
“Latest Practicable Date”	29 May 2013, being the latest practicable date prior to the printing of the Circular for ascertaining certain information referred to in the Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
“Options”	options granted under the share option scheme of the Company adopted on 22 February 2008 which entitle the holder thereof to subscribe for the Share(s) at a certain exercise price
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) as shown on the register of members of the Company at the close of business on the Record Date is/are outside Hong Kong
“PRC” or “China”	The People’s Republic of China
“Privateco”	CASH Retail Management (HK) Limited, a company incorporated in the BVI with limited liability, is the holding company for the Distributed Businesses. It is currently a wholly-owned subsidiary of the Company, and accounted as a non-wholly-owned subsidiary of CASH held through the Company
“Privateco Group”	the Privateco and its subsidiaries
“Privateco Shares”	shares of the Privateco
“Privateco Offer”	the voluntary conditional cash offer to be made by Celestial Capital on behalf of CIGL to acquire all the Privateco Shares (including such Privateco Shares to be held by the CIGL Concert Party Group (other than CIGL))

DEFINITIONS

“Privateco Offer Completion”	the successful completion of the Privateco Offer
“Privateco Offer Pre-Conditions”	the pre-conditions to the making of the Privateco Offer as set out in the section headed “Letter from the Board – possible voluntary conditional cash offer for Privateco Shares by CIGL – Privateco Offer Pre-Conditions” of the Circular
“Privateco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Qualifying Shareholders pursuant to the Privateco Offer
“Qualifying Shareholder(s)”	the Shareholder(s), who are qualified for the Distribution In Specie as set out in the sub-section of “The Qualifying Shareholders and Excluded Overseas Shareholders” under the section of “The Distribution In Specie”, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	the record date for the purpose of ascertaining the entitlements of the Shareholders to the Distribution In Specie, being 25 June 2013, as set out in the section headed “Expected timetable” of the Circular
“Remaining Businesses”	the Group’s businesses in providing financial services by the Remaining Group after the Distribution Completion
“Remaining Group”	the Group excluding the Privateco Group upon the Distribution Completion
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be held on 18 June 2013 at 9:30 am to consider and, if thought fit, approve the resolution(s) in respect of the Distribution In Specie and the transactions contemplated thereunder, notice of which is set out on pages 129 to 130 of the Circular
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	The Code on Takeovers and Mergers
“Vinco Capital” or “Independent Financial Adviser”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“US\$”	United States dollars, the lawful currency of the United States of America

The English text of the Circular shall prevail over its Chinese text.

LETTER FROM THE BOARD



CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee

CHAN Chi Ming Benson

LAW Ping Wah Bernard

CHENG Man Pan Ben

CHENG Pui Lai Majone

Independent non-executive:

CHENG Shu Shing Raymond

LO Kwok Hung John

LO Ming Chi Charles

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and principal place
of business:*

21/F Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

31 May 2013

To the Shareholders

Dear Sir/Madam,

PROPOSED DISTRIBUTION IN SPECIE OF SHARES IN THE PRIVATECO

INTRODUCTION

Reference is made to the Joint Announcement. The Board proposed to distribute all of its Privateco Shares in specie to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date for the purpose of ascertaining the entitlements to the Distribution In Specie on the basis of one Privateco Share for each Share held.

Upon the Distribution Completion and based on the current shareholding structure of the Company, the CIGL Concert Party Group will be interested in approximately 45.35% of the issued share capital of the Privateco as at the date of the Distribution Completion. Subject to the satisfaction of the Privateco Offer Pre-Conditions, Celestial Capital will, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer (ie a voluntary conditional cash offer to the Qualifying Shareholders to acquire all the Privateco Shares (including such Privateco Shares to be held by the CIGL Concert Party Group (other than CIGL))) on the basis of HK\$0.011 in cash for each Privateco Share held.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the CIGL Concert Party Group controls over the voting rights in respect of 1,758,522,749 Shares (approximately 45.35%) they entitled to as disclosed in the heading of “Shareholding structure of the Company and the Privateco” in this letter. The members of the CIGL Concert Party Group, which are interested in the Privateco Offer, will abstain from voting on any resolution at the SGM in relation to the Distribution In Specie.

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Distribution In Specie. Vinco Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Distribution In Specie.

The purpose of the Circular is to provide you with, inter alia, further information about the Distribution In Specie, the Privateco Offer and a notice of the SGM at which an ordinary resolution will be proposed to approve the Distribution In Specie by the Independent Shareholders.

THE DISTRIBUTION IN SPECIE

The Board proposed to distribute all of its Privateco Shares in specie to the Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date on the following basis:

for each Share held one Privateco Share

The reason for distributing one Privateco Share for each Share held is to mirror the shareholdings of the Shareholders in the Company immediately following the Distribution Completion.

As at the Latest Practicable Date, the Privateco had 50,000 authorised Privateco Shares of US\$1.00 each, of which 100 Privateco Shares (representing 100% of the equity interest) of US\$1.00 each had been issued to the Company. To facilitate the Distribution In Specie, the Privateco will, among other things, redenominate and convert the nominal value of its authorised and issued share capital from US\$1.00 each to HK\$0.01 each and increase its authorised shares to 4,000,000,000 Privateco Shares of HK\$0.01 each such that the Privateco will have 100,000 issued Privateco Shares and 4,000,000,000 authorised Privateco Shares, and issue and allot new 3,877,759,588 Privateco Shares of HK\$0.01 each to the Company.

The Distribution In Specie will be distributed and made out of the contributed surplus account of the Company.

The Privateco Shares, when issued, will rank *pari passu* in all respects with each other. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange.

As a result of the Distribution In Specie, the Privateco Group will cease to be the subsidiaries of the Company, and the Remaining Group will carry on the Remaining Businesses, being the financial services businesses. The Distribution In Specie is conditional upon all the pre-conditions of the Distribution In Specie as set out below having been fulfilled. Subject to the Distribution Completion and the Privateco Offer Pre-Conditions being satisfied, Celestial Capital will, on behalf of CIGL, make the Privateco Offer.

LETTER FROM THE BOARD

Pre-Conditions of the Distribution In Specie

The Distribution In Specie is pre-conditional upon the following taking place on or before 30 September 2013:

- (i) the passing of an ordinary resolution by the Independent Shareholders at the SGM to approve the Distribution In Specie;
- (ii) the passing of an ordinary resolution by the CASH Shareholders at the CASH SGM to approve the Privateco Offer; and
- (iii) the obtaining of all relevant consents and approval from banks and/or other lenders in relation to facility and/or loan agreements entered into by the Privateco Group, in connection with the possible change of the corporate guarantee by the Company for the banking facilities rendered to the Privateco Group as a result of the Distribution In Specie and the Privateco Offer.

None of the above pre-conditions can be waived.

Approval from the Independent Shareholders for the Distribution In Specie will be sought at the SGM. The CIGL Concert Party Group is interested in the Privateco Offer and will abstain from voting on the resolution at the SGM.

As at the Latest Practicable Date, none of the above pre-conditions had been fulfilled.

The Qualifying Shareholders and the Excluded Overseas Shareholders

For the purpose of the Distribution In Specie, the Qualifying Shareholders, whose names appear in the register of members of the Company on the Record Date, are entitled to participate in the Distribution In Specie.

As at the Latest Practicable Date, according to the register of members of the Company, there were a total of 23 Overseas Shareholders with a total shareholding of 1,988 Shares. The Overseas Shareholders had registered addresses in eight jurisdictions, namely, Macau, Malaysia, the PRC, Singapore, the United Kingdom, Australia, France and Taiwan. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Distribution In Specie to such Overseas Shareholders.

The Company has obtained advice from legal advisers in Macau, Malaysia, the PRC, Singapore and the United Kingdom and the Company has been advised that under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Distribution In Specie to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval from and/or registration of the Circular with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Distribution In Specie will be extended to the Overseas Shareholders having registered addresses in Macau, Malaysia, the PRC, Singapore and the United Kingdom and such Overseas Shareholders are Qualifying Shareholders.

LETTER FROM THE BOARD

On the other hand, the Company has also obtained advice from legal advisers in Australia, France and Taiwan and it has been advised that either (i) the Circular will be required to be registered or filed with or subject to approval by the relevant regulatory authorities (as the case may be) in these jurisdictions; or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in these jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations in these jurisdictions if the Distribution In Specie were to be offered to the Overseas Shareholders with registered addresses in Australia, France and Taiwan. In view of the circumstances and considering the time and costs involved for legal compliance (as the case may be), the Directors are of the view that it would be expedient not to extend the Distribution In Specie to such Overseas Shareholders in Australia, France and Taiwan. Accordingly, the Overseas Shareholders having registered addresses in Australia, France and Taiwan would be Excluded Overseas Shareholders and the Distribution In Specie would not be extended to such Overseas Shareholders.

Arrangements will be made for Privateco Shares which would otherwise be allotted to the Excluded Overseas Shareholders to be sold to CIGL at HK\$0.011, being the same price under the Privateco Offer. The proceeds of such sale, less expenses, if more than HK\$100 will be distributed to the Excluded Overseas Shareholders at their own risks, in accordance with the timetable. Individual amount of less than HK\$100 will be retained for the benefit of the Company. The Circular will be despatched to the Excluded Overseas Shareholders for information only.

Closure of register of members and registration procedures

The register of members of the Company will be closed from 24 June 2013 to 25 June 2013, both days inclusive, for the purpose of determining the entitlements of the Shareholders to the Privateco Shares under the Distribution In Specie. No transfer of the Shares may be registered during the book closure period.

In order to qualify for the Distribution In Specie, all transfers accompanied by the relevant Share certificates must be lodged with the Hong Kong branch registrars of the Company by not later than 4:00 p.m. on 21 June 2013.

Shareholding structure of the Company and the Privateco

As at the Latest Practicable Date, the Company had a total of 3,877,859,588 Shares in issue, and a total of 585,150,000 Options remains outstanding. All the holders of the Options have undertaken to the Company not to exercise the Options before the close of the Privateco Offer. The holders of the Options are eligible participants under the share option scheme of the Company, who are either directors, employees or consultants of members of the Group.

LETTER FROM THE BOARD

The following table sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) and the shareholding structure of the Privateco immediately after the Distribution Completion (but before commencement of the Privateco Offer) and after the Privateco Offer Completion (assuming that all the Qualifying Shareholders (including the CIGL Concert Party Group (other than CIGL)) accept the Privateco Offer):

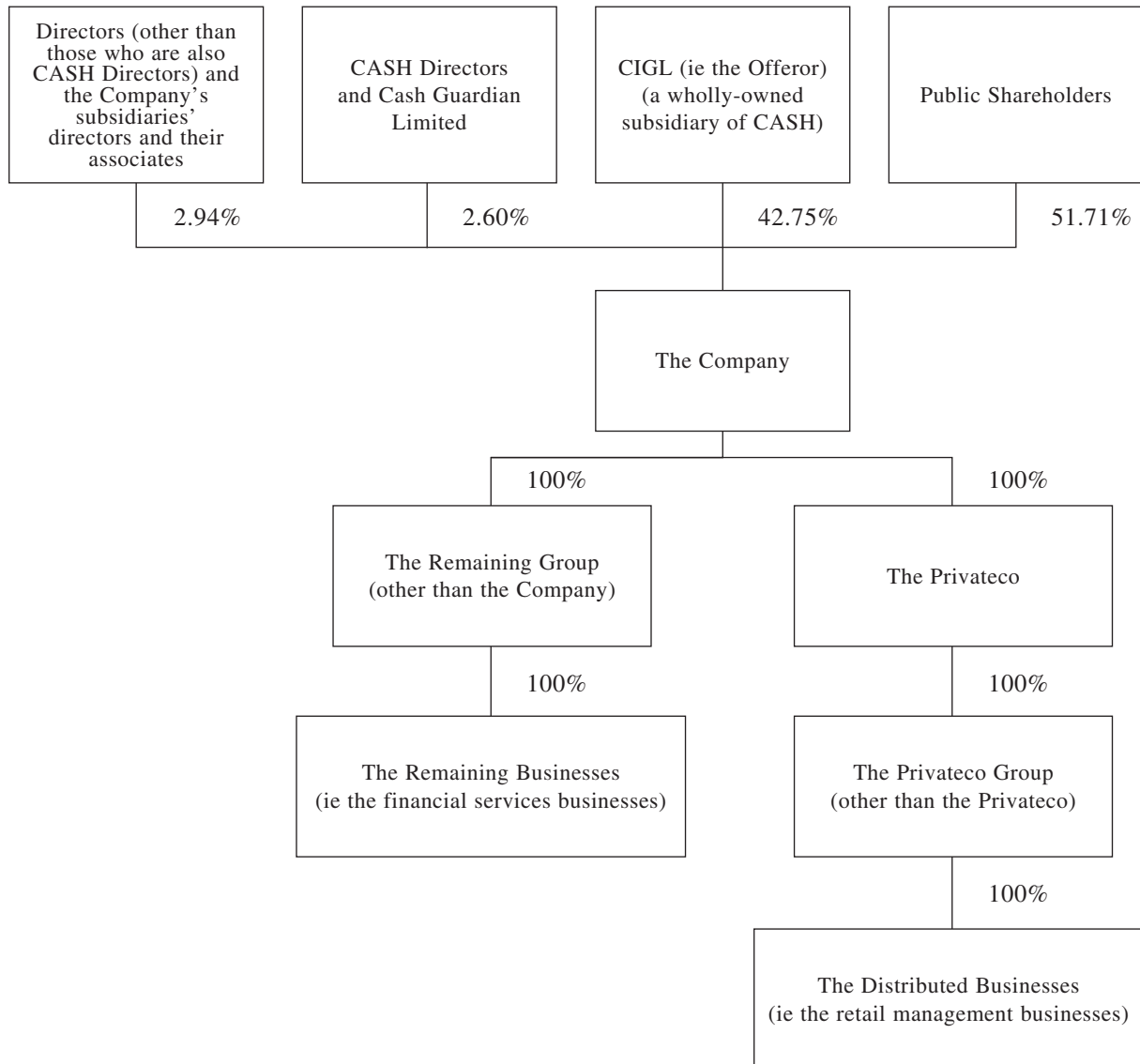
	Existing (as at the Latest Practicable Date)		Immediately after the Distribution Completion but before commencement of the Privateco Offer		After the Privateco Offer Completion (assuming that all the Qualifying Shareholders (including the CIGL Concert Party Group (other than CIGL)) accept the Privateco Offer)	
	No. of Shares	Approximate	No. of Privateco Shares	Approximate	No. of Privateco Shares	Approximate
		%		%		%
CIGL	1,657,801,069	42.75	1,657,801,069	42.75	3,877,859,588	100
Cash Guardian Limited (Note)	67,359,520	1.74	67,359,520	1.74	-	-
CASH Directors						
Mr Chan Yau Ching Bob	180,000	-	180,000	-	-	-
Mr Law Ping Wah Bernard	27,506,160	0.71	27,506,160	0.71	-	-
Mr Ng Kung Chit Raymond	5,676,000	0.15	5,676,000	0.15	-	-
The CIGL Concert Party Group	1,758,522,749	45.35	1,758,522,749	45.35	3,877,859,588	100
Directors of the Company (other than those who are also CASH Directors)						
Mr Chan Chi Ming Benson	55,000,000	1.42	55,000,000	1.42	-	-
Mr Cheng Man Pan Ben	29,337,000	0.76	29,337,000	0.76	-	-
Mr Lo Kwok Hung John	2,095,500	0.05	2,095,500	0.05	-	-
Sub-total:	86,432,500	2.23	86,432,500	2.23	-	-
The Company's subsidiaries' directors and their associates						
	27,555,066	0.71	27,555,066	0.71	-	-
Public	2,005,349,273	51.71	2,005,349,273	51.71	-	-
Total	3,877,859,588	100.00	3,877,859,588	100.00	3,877,859,588	100.00

Note: Cash Guardian Limited is a company ultimately wholly-owned by Mr Kwan Pak Hoo Bankee, the chairman and executive director of both the Company and CASH, and is a party acting in concert with CIGL.

LETTER FROM THE BOARD

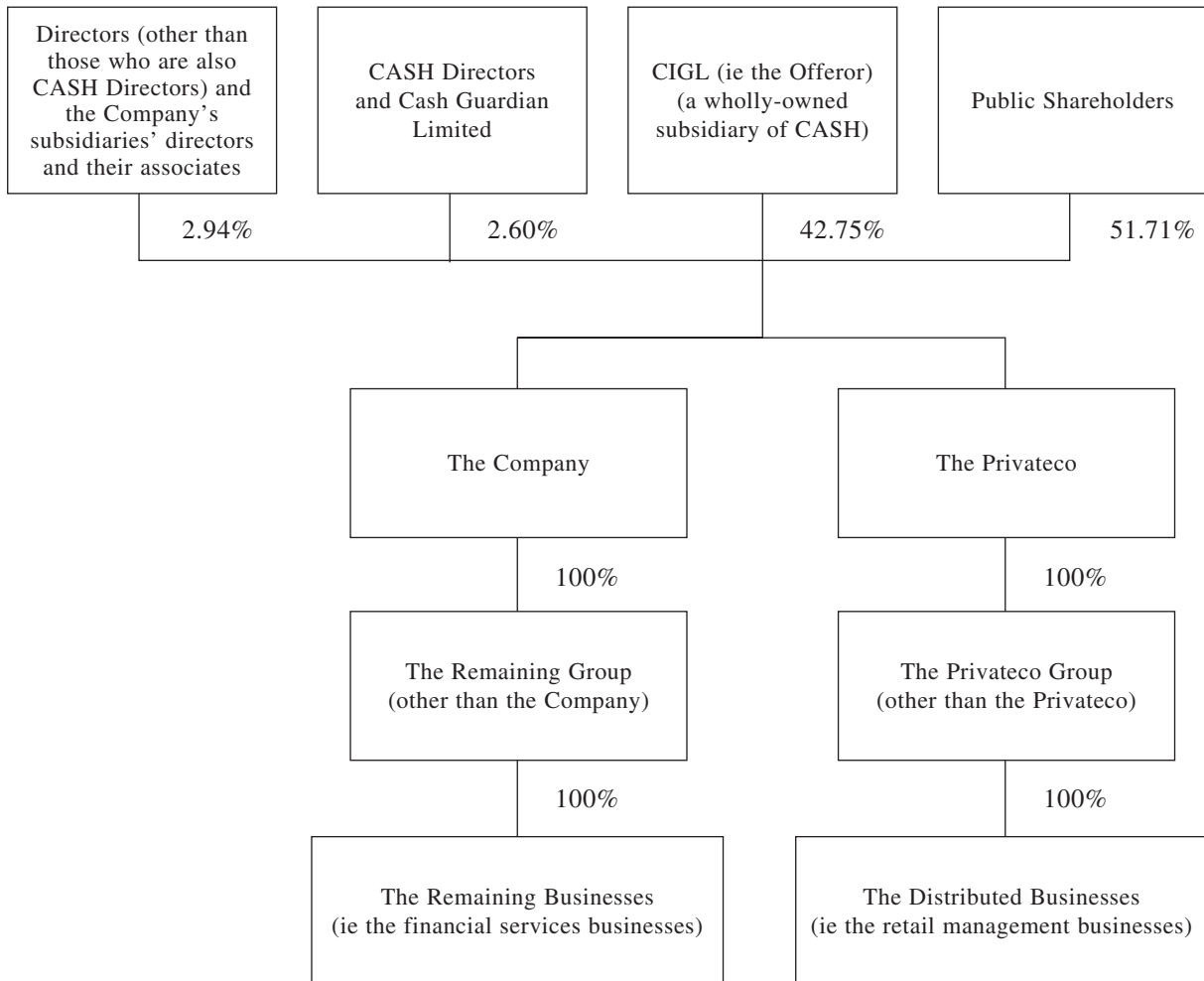
The Group structure

Set out below, in a simplified form, is the Group structure immediately before the Distribution Completion:



LETTER FROM THE BOARD

Set out below, in a simplified form, are the respective structures of the Privateco Group and the Remaining Group immediately after the Distribution Completion, but before the Privateco Offer Completion (assuming no other changes in the issued share capital and the shareholding of the Company during this period):



LETTER FROM THE BOARD

Reasons for and effect of the Distribution In Specie

The Group is currently engaged in financial services businesses including mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, alternative trading; and the retail management businesses carried out through the Privateco Group including retailing of furniture, household goods and electrical appliances through the chain stores under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC.

In preparation of the eventual opening up of the PRC financial market, the financial services group of the Company has been transforming from a retail-oriented brokerage to a technology-driven financial services house, serving high-net-worth individuals, institutional, corporate, commercial and premium clients. In recent years, the Company is dedicated to developing its mobile trading services by introducing various stock trading apps on iPhone, iPad and Android mobile and tablet devices, futures trading app on iPhone and online trading application. The Company is focused on developing several high-growth business pillars, including an algo-trading platform, investment banking, wealth management and premium and mobile brokerage services. After the Distribution Completion, the Remaining Group will concentrate on and devote more resources to developing and expanding its comprehensive, technology-driven and mobile financial services businesses. In addition, the Board recommends the payment of a special dividend by way of the Distribution In Specie to reward the support of the Shareholders. The Board believes that the Distribution In Specie will provide the Shareholders with an opportunity to hold a direct investment and participate in the growth of the Privateco Group, or to realise Privateco Shares by accepting the Privateco Offer.

The Privateco Group was acquired by the Company from CASH at a total consideration of HK\$310,340,000, which was based on the price-to-earnings ratio of 10 times of the audited net profits of the Privateco Group for the year ended 31 December 2008, in year 2009 (“**2009 Acquisition**”).

According to the accountants’ report of the Privateco Group (“**Privateco Group Accountants Report**”) contained in Appendix II to the Circular, (i) the consolidated net asset value of the Privateco Group was approximately HK\$154,335,000 as at 31 December 2012 (“**Privateco Group NAV**”), and (ii) the consolidated profit of the Privateco Group for the year ended 31 December 2012 was approximately HK\$13,347,000, which has been arrived at after taking into account the effective interest income of approximately HK\$7,759,000 on amounts due from the Remaining Group. Having considered that such amounts due from the Remaining Group are unsecured and interest-free, the consolidated profit of the Privateco Group adjusted for the abovementioned effective interest income would be approximately HK\$5,588,000 for the year ended 31 December 2012 (“**Privateco Group Adjusted Profit**”).

In arriving at the proposal for the Distribution In Specie, the Board has taken into account the fact that all Shareholders should be directly or indirectly interested in the Privateco Group NAV of HK\$0.040 per Privateco Share (based on the Privateco Group NAV of HK\$154,335,000 and a total 3,877,859,588 Privateco Shares expected to be in issue upon the Distribution Completion) through (i) their shareholding in the Company to which dividend of HK\$111.7 million in total, or around HK\$0.029 per Share (calculated based on dividend of HK\$111.7 million divided by 3,877,859,588 issued Shares), was paid by the Privateco on 31 March 2013; and (ii) distribution by the Company of the Privateco Shares (for each Privateco Share would carry value of around HK\$0.011, being Privateco Group NAV of approximately HK\$0.040 less the dividend from the Privateco of HK\$0.029 on a per share basis) to the Shareholders. It is the Company’s intention to apply the dividend of HK\$111.7 million from the Privateco for the

LETTER FROM THE BOARD

Remaining Businesses, which has been and will continue to be the core business of the Remaining Group, as it is considered by the Directors to be in the interest of the Remaining Group and the Shareholders as a whole.

If only the Shareholders' direct interest in the Privateco Group NAV upon Distribution Completion is considered, based on the Privateco Group NAV after payment of dividend of HK\$111.7 million and the Privateco Group Adjusted Profit, the implied price-to-earnings ratio would be approximately 7.6 times. The retailers in Hong Kong, in particular the retailers of non-luxury goods, have been operating in a difficult operating environment since 2009 resulting from appreciation of Renminbi, sharp rises in property prices and rental values (in particular rental values for retail shops), and introduction of the statutory minimum wage in May 2011, which in turn have led to increasing costs of sales and other operating expenses of the retailers. As set out in the Privateco Group Accountants' Report, notwithstanding increases in revenue of the Private Group from approximately HK\$1,011.2 million for the year ended 31 December 2010 to HK\$1,072.8 million for the year ended 31 December 2011, and to HK\$1,095.7 million for the year ended 31 December 2012, the profit level and profit margin of the Privateco Group has deteriorated as (i) its profit decreased from HK\$42.6 million to HK\$16.3 million, and further to HK\$13.3 million for the three years ended 31 December 2012; and (ii) its profit margin decreased from 4.2% to 1.5%, and further to 1.2% during the three years ended 31 December 2012. Having considered (i) the change in the business environment for retailers of non-luxury goods since 2009, and (ii) the deteriorated profit level and profit margin of the Privateco Group during the three years ended 31 December 2012, the Directors are of the opinion that the abovementioned implied price-to-earnings ratio of approximately 7.6 times, which is lower than the price-to-earnings ratio of 10 times for the 2009 Acquisition, is fair and reasonable.

Despite the unsatisfactory performance of the financial markets in recent years, the Board is optimistic about the financial services section and expects to see an improving stock market and economic condition. Coupled with our efforts to transform the financial services group from a retail-oriented brokerage to a technology-driven financial services group and to focus on developing mobile trading business and several high-growth business pillar in recent years, the Board is confident that the Remaining Businesses will benefit from a positive growth in the financial service industry. Details of the prospects of the Remaining Group is set out under "Financial and Trading Prospect of the Remaining Group" in this letter from the Board.

Having considered that (i) the Shareholders can continue to hold interest in the Privateco by holding Privateco Shares directly after the Distribution In Specie; (ii) the improving market conditions of the financial services industry; and (iii) the Board's intention to have business delineation between the Remaining Group and the Privateco Group such that the Group will be able to focus on the financial services business, the Board considers that the Distribution In Specie is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon the Distribution Completion, the Privateco will become a public company under the laws of Hong Kong. As such, any takeover, merger and share repurchase affecting the Privateco will be subject to the regulation of the Takeovers Code.

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The Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and/or in the Privateco. As such, the Board considers that it is in the interests of the Shareholders to provide them with an opportunity to consider and, if thought fit, approve the resolution for the Distribution In Specie at the SGM.

The financial information on the Privateco Group

Set out below is the financial information on the Privateco Group which is extracted from the accountants' report of the Privateco as set out in Appendix II to the Circular:–

	For the year ended	
	2011	2012
	HK\$'000	HK\$'000
Revenue	<u>1,072,752</u>	<u>1,095,681</u>
Profit before taxation	<u>19,334</u>	<u>20,347</u>
Profit for the year	<u>16,334</u>	<u>13,347</u>

The consolidated net asset value of the Privateco Group as at 31 December 2012 was approximately HK\$154.3 million. The unaudited net asset value of the Privateco Group as at 31 March 2013 was approximately HK\$42.6 million (being the consolidated net asset value of the Privateco Group as at 31 December 2012 less the declaration and payment of dividend of approximately HK\$111.7 million by the Privateco to its holding company on 31 March 2013). The payment of such dividend will strengthen the financial position of the Company and allow it to retain more capital for future development and expansion which is for the interest and benefit of the Shareholders.

Based on the financial information as extracted from the accountants' report of the Privateco set out in Appendix II to the Circular, the relative proportion of the Privateco Group in the revenue and total consolidated assets of the Group for the year ended 31 December 2012 is approximately 85.52% and 15.83% respectively.

Based on the financial information as extracted from the unaudited pro forma financial information of the Remaining Group set out in Appendix III to the Circular, the relative proportion of the Remaining Group in the revenue for the year ended 31 December 2012 is approximately 14.48%. The relative proportion of the Remaining Group in consolidated total assets of the Group for the year ended 31 December 2012 is 79.36% after the distribution of the unaudited total assets value of the Privateco Group of approximately HK\$488.1 million (which represented 15.83% of the consolidated total assets of the Group) and the net amount HK\$148.1 million (being the amount of the trademark amounted to HK\$311.0 million reduced by the amount due from the Privateco Group amounted to HK\$162.9 million) (which represented 4.81% of the consolidated total assets of the Group).

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Based on financial information as extracted from the unaudited pro forma financial information on the Remaining Group set out in Appendix III to the Circular, the Remaining Group recorded a net loss (before and after taxation) of approximately HK\$36.0 million and HK\$39.1 million for the year ended 31 December 2012 respectively. Such net loss of the Remaining Group accounted for approximately 154% and 117% of the net loss of the Group (before and after taxation) of approximately HK\$23.4 million and HK\$33.5 million for the year ended 31 December 2012 respectively.

POSSIBLE VOLUNTARY CONDITIONAL CASH OFFER FOR PRIVATECO SHARES BY CIGL

The Privateco was a direct wholly-owned subsidiary of the Company as at the Latest Practicable Date. CIGL will be interested in 1,657,801,069 Privateco Shares, representing approximately 42.75% of the issued share capital of the Privateco, immediately upon the Distribution Completion. It is the intention of the CASH Board to take this opportunity to acquire quality investments at a reasonable price. Also, given that the Privateco Shares will not be listed on any stock exchange, the Shareholders who become holders of the Privateco Shares may therefore find it difficult to liquidate their holdings in the Privateco Shares. CASH considers, in these circumstances, to provide the Qualifying Shareholders with an opportunity to realise their holdings in the Privateco Shares, it is appropriate to make the Privateco Offer on a voluntary conditional basis pursuant to the Takeovers Code. Celestial Capital, on behalf of CIGL, will make the Privateco Offer to all Shareholders who become holders of the Privateco Shares (other than CIGL) following the Distribution Completion.

Privateco Offer Pre-Conditions

The making of the Privateco Offer will be pre-conditional upon the following taking place on or before 30 September 2013:

- (i) the Distribution Completion; and
- (ii) the passing of all relevant ordinary resolution(s) by CASH Shareholders at the CASH SGM to approve the Privateco Offer.

None of the above Privateco Offer Pre-Conditions can be waived. No CASH Shareholder will be required to abstain from voting on any resolution at the CASH SGM.

After the Distribution Completion and subject to the above Privateco Offer Pre-Conditions being fulfilled, Celestial Capital will, on behalf of CIGL and pursuant to the Takeovers Code, make a voluntary conditional cash offer to the Shareholders who become holders of the Privateco Shares to acquire all the Privateco Shares (including such Privateco Shares to be held by the CIGL Concert Party Group (other than CIGL)) on the following basis:

for each Privateco Share held HK\$0.011 in cash

As the Privateco Offer will only be made following the Distribution Completion and subject to the Privateco Offer Pre-Conditions being fulfilled, the making of the Privateco Offer may or may not proceed and, as such is only a possibility. In the event that the Privateco Offer is made, it will be a conditional cash offer.

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The Privateco Offer will be conditional upon valid acceptances being received which would result in the CIGL Concert Party Group holding more than 50% of the issued share capital of the Privateco.

The offer price under the Privateco Offer has been determined based on the unaudited net asset value of the Privateco Group as at 31 March 2013 of approximately HK\$42.6 million (being the consolidated net asset value of the Privateco Group as at 31 December 2012 less the declaration and payment of dividend of approximately HK\$111.7 million by the Privateco to its holding company on 31 March 2013). On the basis that 3,877,859,588 Privateco Shares are expected to be in issue upon the Distribution Completion and based on the offer price under the Privateco Offer of HK\$0.011 per Privateco Share, the entire issued share capital of the Privateco is valued at approximately HK\$42.6 million. On the same basis, 2,220,058,519 Privateco Shares will be subject to the Privateco Offer and these Privateco Shares are valued at approximately HK\$24,420,643.71. The Privateco Offer will be financed by the internal resources of CASH. CASH will use part of the proceeds to be raised from the proposed rights issue (as announced by CASH on 23 April 2013) to replenish its general working capital.

Celestial Capital, the financial adviser to CIGL, is satisfied that sufficient financial resources are available to CASH to satisfy full acceptance of the Privateco Offer.

As at the Latest Practicable Date, no member of the CIGL Concert Group had received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. Privateco Shares subject to the Privateco Offer will be acquired by CIGL with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of Privateco Shares and free from all third party rights.

Effect of accepting the Privateco Offer

By accepting the Privateco Offer, the Shareholders will sell their Privateco Shares to CIGL free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Privateco Offer is made, being the date of posting of the Privateco Offer Document.

Payment

Payment in cash in respect of acceptances of the Privateco Offer will be made as soon as practicable but in any event within seven business days (as defined under the Takeovers Code) following the later of the date on which the Privateco Offer becomes, or is declared, unconditional, and the date on which the duly completed acceptances of the Privateco Offer and the relevant documents of title of the Privateco Shares in respect of such acceptances are received by CIGL to render each such acceptance complete and valid.

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Overseas Shareholders

As the Privateco Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should keep themselves informed about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction).

Compulsory acquisition

Subject to sufficient Privateco Shares being acquired, pursuant to section 176 of the Act, CIGL intends to avail itself of the right to require the Privateco to compulsorily redeem any remaining Privateco Shares not already acquired under the Privateco Offer. Under this circumstance, CIGL can require the Privateco to compulsorily redeem all the remaining Privateco Shares once it holds 90% of all the issued Privateco Shares. In addition, Rule 2.11 of the Takeovers Code provides that compulsory acquisition rights may only be exercised by CIGL if acceptances of the Privateco Offer and purchases of Privateco Shares made by the CIGL Concert Party Group during the period of four months after posting of the Privateco Offer Document add up to 90% of the disinterested Privateco Shares. Further announcements will be made about the exercise of such compulsory acquisition rights should CIGL exercise it.

Save for any entitlements to receive Privateco Shares pursuant to the Distribution In Specie, none of the CIGL Concert Party Group owns or controls or has direction over any shares, convertible securities, warrants or options in the Privateco. None of the CIGL Concert Party Group dealt in any shares, convertible securities, warrants or options in Privateco during the six-month period immediately preceding the Latest Practicable Date.

Other arrangements

As at the Latest Practicable Date:

- (i) the Privateco had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Privateco Shares;
- (ii) the CIGL Concert Party Group had not entered into any agreements in relation to the issue of any convertible securities, options, warrants or derivatives of the Privateco; and
- (iii) the CIGL Concert Party Group had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Privateco.

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CIGL confirms that there are no other arrangements (whether by way of option, indemnity or otherwise) in relation to the Privateco Shares or the shares of the Offeror and which might be material to the Privateco Offer. CIGL further confirms that there are no other agreements or arrangements to which CIGL is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Privateco Offer. Given that the Privateco is a company incorporated in the BVI where its register of members is located and maintained, no Hong Kong stamp duty is payable on any transfer of Privateco Shares.

For those Shareholders who wish to retain their investments in the Distributed Businesses after the Distribution Completion, they can choose not to accept the Privateco Offer and continue to hold Privateco Shares. **They should, however, be aware that there is unlikely to be any market for Privateco Shares since there is no intention to list Privateco Shares on any stock exchange. Moreover, Privateco Shares may be subject to the compulsory acquisition provision of their Privateco Shares under the Act (as may be amended from time to time) if sufficient Privateco Shares are acquired by CIGL under the Privateco Offer. Details of the possible compulsory acquisition is set out below in the paragraph headed “Background of CIGL and its intentions regarding the Privateco” below.**

The Shareholders are reminded to read the advice of the Independent Financial Adviser in respect of the Privateco Offer that will be included in the Privateco Offer Document before deciding whether or not to accept the Privateco Offer.

Background of CIGL and its intentions regarding the Privateco

CIGL, a wholly-owned subsidiary of CASH, is the existing controlling shareholder of the Company, holding directly a total of 1,657,801,069 Shares (representing approximately 42.75% of the equity interest in the Company) as at the Latest Practicable Date. CIGL is an investment holding company incorporated in the BVI with limited liability. As an investment holding company, CIGL is currently holding the aforesaid equity interests in the Company and 100% equity interest in the mobile Internet businesses of CASH. Save as disclosed, CIGL had not carried out any operations nor had any other major assets as at the Latest Practicable Date.

It is the intention of CIGL that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of CIGL that Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Qualifying Shareholders has been obtained. Interests of the Qualifying Shareholders will be safeguarded by new articles of association of the Privateco. A summary of key terms of the new articles of association of the Privateco is set out in Appendix IV to the Circular.

Though there is no intention for the Privateco Group to conduct any fund raising activities such as rights issues, the Privateco Group may require further funding from the Qualifying Shareholders to maintain or develop its businesses in the future.

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Subject to sufficient the Privateco Shares being acquired, CIGL intends to avail itself of any right under the Act and the Takeovers Code to require the Privateco to compulsorily redeem the remaining Privateco Shares not already acquired under the Privateco Offer. Further announcements will be made about the exercise of such compulsory acquisition rights. Under section 176 of the Act, CIGL can require the Privateco to compulsorily redeem Privateco Shares of the remaining Qualifying Shareholders once it holds 90% of all the issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer during the period of four months after posting of the Privateco Offer Document to total 90% of the disinterested Privateco Shares.

Interests of the shareholders of the Privateco will be safeguarded by the new articles of association to be adopted by the Privateco, which will contain comparable provisions required under the Listing Rules in respect of a listed issuer. A summary of key terms of the new articles of association of the Privateco is set out in the Appendix IV to the Circular.

As at the Latest Practicable Date, the directors of the Privateco were Mr Kwan Pak Hoo Bankee (also a CASH Director), Mr Law Ping Wah Bernard (also a CASH Director), Mr Ng Hin Sing Derek and Mr Leung Siu Pong James.

Intentions of CASH regarding the Company after the Distribution In Specie and the Privateco Offer

The CASH Board believes that the Company remains suitable for listing on the Stock Exchange after the Distribution in Specie and the Privateco Offer as it still maintains operation of its financial services businesses, including mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, alternative trading, in both Hong Kong and the PRC.

As at the Latest Practicable Date, CASH did not have any plan to withdraw the listing of the Company.

FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

The Company is a leading financial services conglomerate in China. The Company has been providing its broad-based clients with a comprehensive range of financial products and quality services that cater for their versatile investment and wealth management needs, anytime anywhere. Since its establishment in 1972, the Company has been building lasting and innovative businesses in the investment and financial services sector to cope with the ever-changing global financial landscape. Its comprehensive range of financial products and services includes brokerages for mobile and premium trading, investment banking and corporate finance advisory, wealth management, alternative trading, etc. As a leading technology-focused financial services provider, coupled with its professional human talents, the Company is committed to operating a state-of-the-art trading platform to meet the investment needs of clients in today's borderless world. Leveraging this advanced electronic trading platform, the Company has developed an extensive distribution network to reach its institutional, corporate and individual clients across China.

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As a result of the Distribution In Specie, the Privateco Group will cease to be subsidiaries of the Company, and the Remaining Group will carry on the Remaining Businesses, being the financial services businesses. The Remaining Group is cautiously optimistic about the economic outlook in the medium to longer term. The lacklustre market sentiment as brought about by the post-financial crisis is still lingering on to 2013 due to investors' concerns on global political and economic problems. However, we believe that the recent robust rally in stock market indices signaled an improving economic condition. Coupled with the rising risk appetite, positive fund inflows into Asia and structural reforms, the stock market in Hong Kong has shown growth and improvement in returns as evidenced by the increased in the total turnover in value by 16.7% for the four months ended 30 April 2013 as compared with the figure for the same period last year and growth in Hang Seng Index by 7.8% up to 30 April 2013 from the same date last year. Going forward, the Remaining Group will continue to build up its brand name and gain wider prominence and recognition in its comprehensive financial services, while to maintain stringent cost controls over its operations. To meet clients' ever-changing investment habits and needs, the Remaining Group has been in recent years dedicated to developing its mobile trading services by introducing various stock trading apps on iPhone, iPad and Android mobile and tablet devices, futures trading app on iPhone and online trading application, so as to substantially contain the operating and compliance costs of the financial market. On the other hand, the Remaining Group will continue to transform the financial services group from a retail-oriented brokerage to a technology-driven financial services house, serving high-net-worth individuals, institutional, corporate, commercial and premium clients with an aim to increase its operating revenue and margin. The Remaining Group is confident that as the financial services sector continues to be a pillar industry in Hong Kong, with its indispensable role as the designated offshore Renminbi centre, the Group is dedicated to becoming the financial services house of choice in the Hong Kong and Mainland China market, and will be among the first to benefit from the positive growth in the industry.

FINANCIAL AND TRADING PROSPECT OF THE PRIVATECO GROUP

The Privateco Group is principally engaged in the retail management business including the provision of one-stop smart home solutions such as the retailing of furniture, household goods and electrical appliances through the chain stores under the brand names of "Pricerite" in Hong Kong and "生活經艷" (translated as Sheng Huo Jing Yan) in the PRC. The retail management business is currently carried out through the Privateco Group directly under the Company. Upon completion of the proposed Distribution In Specie and the Privateco Offer, the Privateco Group will become subsidiaries of CASH and will continue to be well supported by CASH.

The retail management businesses maintained stable growth despite the market doldrums in 2012. The Privateco Group believes that it is serving its customers with the right products and with highly regarded services. Its market niche also remains in line with the Hong Kong lifestyle and environment, providing flexible and smart living solutions for space-challenged households. As such, the Privateco Group has adopted a new branding and launched a marketing campaign named Living Smart 生活智慧 with a clear objective to providing smart and flexible living solutions to urban household living in cramped apartments. It will continue to reinforce the Living Smart 生活智慧 brand attribute and to secure the leading position in home-furnishing retailer in town. Furthermore, the Privateco Group aims to renew a number of existing stores through the long-term rejuvenation program, targeting to highlight its market position as the home-furnishing specialty store providing a true "one-stop shopping" experience for the

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busy customers in urban city nowadays. As to the retailing business in mainland China, it is still in its early investment phase. In face of the rising operating costs, mainly skyrocketing rents coupled with the inflationary pressure in all aspects, it will continue to step up the cost rationalisation measures to maintain its cost leadership approach, optimise its product mix, enhance its operational efficiency and make timely strategic adjustments as the market changes.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Upon Distribution Completion, the Remaining Group will be engaged solely in the Remaining Businesses, being the provision of financial services, including online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products, margin financing and money lending services, and corporate finance services.

Set out below is the management discussion and analysis of the operating results and business review of the Remaining Group for each of the years ended 31 December 2010, 2011 and 2012.

Business and financial review for the year ended 31 December 2010

Business review

Trading volume of the Hong Kong securities market showed a moderate growth compared to the last year. Yet the Remaining Group experienced a significant rise in trading volume thanks to the successful strategy of the year for strengthening the institutional sales force, establishing a team of client relationship manager to serve the premium clients, developing trading models, strategies and tools to cater for the rapidly changing market environment and increasingly sophisticated trading requirements of various investor categories. With an objective to smooth out revenue volatility and increase income diversity, the wealth management unit set up an advisory team with strengthened service and research capability to serve high-value clients. Under this prestige programme, clients received active portfolio management and valued-added services. The new offering helped retain and attract new funds from both within and outside the existing business system. To capture opportunities that arose from the sharp increase in initial public offerings (“IPO”), the Remaining Group introduced a differential interest rate scheme for clients who had different borrowing requirements. The new programme offered reduced funding rates for IPO financing for clients with low gearing. Meanwhile, the investment banking business maintained its strategy to focus on financial advisory and corporate transactions. It participated in a number of transactions in the capacity of placing agent, underwriter and financial adviser and made a remarkable profit contribution in the year. Meanwhile, to promote the asset management service, the division took every opportunity to work with financial media to gain exposure and enhance corporate brand throughout the year. The Remaining Group’s research and commentaries were well followed by the market.

Operating results

The local and global stock markets became to turn sluggish soon after the news relating to Europe’s sovereign debt crisis first came to light during the year under review. While the worry that a double dip recession caused by this new round of financial crisis had badly hit the local stock market, it was further battered by the harsh austerity measures adopted by the Chinese government to rein in rising inflation and to slash sky-high property prices across the country. However, the quantitative easing policies and economic stimulus measures adopted by the central banks in several developed countries aiming at

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stimulating the economy ultimately caused an abundant influx of fund into Asian region including Hong Kong. The excessive capital influx was driving up the assets and commodities prices. In the second half of the year under review, there was a sharp rebound in the trading volume of the local stock market. The trading volume of the local stock market in the year under review was about 10.9% higher than that of the previous year. Furthermore, fund-raising and mergers and acquisitions activities in Hong Kong were vigorous during the year under review and Hong Kong had successfully maintained its position as the largest listing market by fund-raising size in the world with about a record-high HK\$445 billion raised in 2010. Overall, for the year ended 31 December 2010, the Remaining Group recorded revenue of approximately HK\$283.0 million and a profit of approximately HK\$32.6 million. The increase in revenue during the year under review was mainly attributable to the remarkable performance of the investment banking division of the Remaining Group.

Capital structure, liquidity and financial resources

As at 31 December 2010, the Remaining Group had net current assets and net assets of approximately HK\$285.6 million and HK\$577.3 million, respectively. The Remaining Group had total bank borrowings of approximately HK\$323.7 million. Among the bank borrowings, a total of HK\$215.3 million bank loans were collateralised by its margin clients' securities pledged to the Remaining Group. Other bank loans of approximately HK\$35.6 million were secured by investment properties. The remaining bank borrowings were unsecured.

The Remaining Group's bank borrowings as at 31 December 2010 carried variable interest at Hong Kong Prime Rate and Hong Kong Interbank Offered Rate ("HIBOR") plus a spread.

As at 31 December 2010, the Remaining Group's cash and bank balances including the trust and segregated accounts totalled approximately HK\$900.5 million. Total deposits of approximately HK\$0.6 million were pledged as securities for a standby letter of credit facility and bank guarantees granted by banks to the Remaining Group. In addition, pursuant to a letter of undertaking provided by the Remaining Group to a bank, the Remaining Group undertook 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 this bank. Accordingly a bank deposit of approximately HK\$17.1 million was held for this purpose.

The liquidity ratio of the Remaining Group as at 31 December 2010 was approximately 1.2 times. The gearing ratio as at 31 December 2010, which represented the ratio of interest bearing borrowings of the Remaining Group divided by the total equity, was approximately 56.2%.

For the year ended 31 December 2010, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

Foreign exchange fluctuation and hedge

As at 31 December 2010, the Remaining Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

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Most of financial assets and financial liabilities of the Remaining Group were denominated in the Remaining Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of the directors of the Remaining Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2010. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

As at 31 December 2010, the Remaining Group was holding a portfolio of listed investments with market values of approximately HK\$42.4 million and the net gain on listed investments and unlisted investment funds of approximately HK\$71.4 million was recorded for the year ended 31 December 2010.

Save as aforesaid, the Remaining Group did not make any other significant investments, material acquisitions or disposals during the year ended 31 December 2010.

Capital commitments and contingent liabilities

The Remaining Group did not have any material outstanding capital commitments nor contingent liabilities as at 31 December 2010.

Employee information

At 31 December 2010, the Remaining Group had 384 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance scheme, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Remaining Group for the year 2010 was approximately HK\$114.7 million. It continued to organise training to employees in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2010.

Business and financial review for the year ended 31 December 2011

Business review

Impacted by the significant drop in index level and trading volume, together with the severe competition in the commission rate, the Remaining Group commission earning in securities broking was ineluctably affected. Despite the pessimistic outlook toward the listing of new shares in the second half of the year, there noted steam in the margin financing business amid the volatile market. Negative market sentiment impacted adversely on the IPO market. Against this backdrop, the Remaining Group maintained its strategy to have a balanced focus on IPOs and other financial advisory and corporate

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transactions. During the year under review, it participated in a number of transactions, including IPOs, in the capacity of sponsor, placing agent, underwriter and financial adviser. Furthermore, the successful listing of the first RMB-denominated REIT on the Hong Kong Stock Exchange in April 2011 marked an important milestone for the local securities industry. The Remaining Group, as a member of the underwriting syndicate, have proved the compatibility, efficiency and reliability of our platform in handling RMB-related trading. During the year, it employed a number of renowned professors and scholars who were experts in areas such as mathematical science, computer science, statistics and finance. It aimed at providing our premium clients across Hong Kong and Mainland China with the best investment and wealth management advice.

On the other hand, in preparing for the eventual opening up of the PRC financial markets, we adopted a three-pronged development strategy: (1) build brand awareness, (2) gather database, and (3) establish network. During the year under review, the Remaining Group had been working intensively with its business partners in these areas. The Remaining Group set up new offices in Nanjing, Chengdu, and Qingdao. Together with the offices in Beijing, Chongqing, Shenzhen, Xi'an, Xiamen and the head office in Shanghai, the Remaining Group currently had nine offices across the country. The Remaining Group continued to expand its network by opening offices in strategic locations.

Operating results

The year 2011 represented a period of extreme volatility and instability in the global financial market. China imposed a series of harsh austerity measures such as tightening credit, increasing interest rate and raising deposit-reserve ratio aiming at cooling down the overheated property market and suppressing inflation. As a result, the pace of economic recovery was battered. Meanwhile, the lingering European sovereign debt crisis continued to beset the global stock markets and somewhat suspended the US and Europe's economic growth. The Hong Kong financial market was inevitably beleaguered by these global crises and the local economic growth had trended downward since the second half of 2011. In view of the highly volatile financial market and gloomy economic outlook, investors became growingly skeptical. Market competition during the year under review remained intense and its commission earnings were inevitably affected. Moreover, its operating overheads had been sharply increased which was due to the increase in rental cost upon the renewal of tenancy agreement in late 2010 and the increase in salary costs for the Remaining Group's strategy to accelerate growth in the personal wealth management business in China. The Remaining Group's personal wealth management business in China had already started to make a significant contribution to the Remaining Group in late 2011. Overall, for the year ended 31 December 2011, the Remaining Group recorded revenue of approximately HK\$261.7 million and a net loss of approximately HK\$5.8 million.

Capital structure, liquidity and financial resources

As at 31 December 2011, the Remaining Group had net current assets and net assets of approximately HK\$316.5 million and HK\$555.8 million, respectively. The Remaining Group had total bank borrowings of approximately HK\$192.8 million. Among the bank borrowings, a total of HK\$114.0 million bank loans were collateralised by its margin clients' securities pledged to the Remaining Group. Other bank loans totally of HK\$34.2 million were secured by investment properties. The remaining bank borrowings were unsecured.

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The Remaining Group's bank borrowings as at 31 December 2011 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread.

As at 31 December 2011, the Remaining Group's cash and bank balances including the trust and segregated accounts totalled approximately HK\$946.3 million. Pursuant to a letter of undertaking provided by the Remaining Group to a bank, the Remaining Group undertook 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 this bank. Accordingly a bank deposit of approximately HK\$17.1 million was held for this purpose.

The liquidity ratio of the Remaining Group as at 31 December 2011 was approximately 1.2 times. The gearing ratio as at 31 December 2011, which represented the ratio of interest bearing borrowings of the Remaining Group divided by the total equity, was approximately 34.8%.

For the year ended 31 December 2011, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

Foreign exchange fluctuation and hedge

As at 31 December 2011, the Remaining Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

Most of financial assets and financial liabilities of the Remaining Group were denominated in the Remaining Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of directors of the Remaining Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2011. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

Significant investments, material acquisitions and disposals

As at 31 December 2011, the Remaining Group was holding a portfolio of listed investments with market values of approximately HK\$27.0 million. The net gain derived from listed investments and the securities dealing business totally of HK\$171.3 million was recorded for the year ended 31 December 2011.

Save as aforesaid, the Remaining Group did not make any other significant investments, material acquisitions or disposals during the year ended 31 December 2011.

Capital commitments and contingent liabilities

The Remaining Group did not have any material outstanding capital commitments nor contingent liabilities as at 31 December 2011.

LETTER FROM THE BOARD

Employee information

At 31 December 2011, the Remaining Group had 340 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance scheme, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Remaining Group for the year 2011 was approximately HK\$196.7 million. It continued to organise training to employees in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and professional regulatory training programs as required by regulatory bodies.

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2011.

Business and financial review for the year ended 31 December 2012

Business review

During the year under review, most investors were cautious toward both investment and speculations, especially in domestic equities market. Trading volume and our brokerage income were inevitably adversely affected. Nevertheless, there was steady demand for international commodities trading against the backdrop of hedging needs and speculation of commodities prices as a result of further quantitative easing measures around the world. Negative market sentiment impacted the IPO market adversely, reflected by a significant drop in the total fund raised through IPO in Hong Kong by more than 60% as compared with the last year. Notwithstanding the prevailing lacklustre market sentiment, there were still a lot of quality companies in China that look for IPO opportunities in Hong Kong and we had successfully obtained mandates to act as the sponsor to certain IPO applicants. To tap into the lucrative fund management business in China, the Company invested in Infinity, a prominent cross-border, Chinese focused fund management group with a RMB2 billion asset under management through a growing portfolio of funds investing in China. The Group considers it a golden opportunity to diversify into the fund management business and reap from the booming PRC market, given the steady and consistent revenue stream of the Infinity RMB Funds. In addition, the Group was dedicated to developing the mobile trading services by introducing various stock trading apps on iPhone, iPad and Android mobile and tablet devices. We had also launched an online trading application “CASH HK Stocks Express” to facilitate mainland clients by providing them with a user-friendly quotation and trading platform layout.

Operating results

The global economic conditions in 2012 continued to deteriorate. The consequences unleashed by the unresolved Eurozone debt crisis, coupled with the worry about the market impact of US “Fiscal Cliff” posted a downside risk on the global economy. At the same time, China’s economy had been showing signs of slowdown for the past two years. To combat with the faltered growth, the People’s Bank of China responded to the economic concerns by cutting interest rates for the first time since 2008. The Hong Kong financial market was inexorably beleaguered by these global crises and the local economic growth had

LETTER FROM THE BOARD

trended downward. Under such a challenging macro-economic environment, investors had been reducing their exposures in securities investments. The average daily turnover of the Hong Kong stock market in 2012 was approximately HK\$53.9 billion, representing a plunge of 23% from last year while the average daily turnover for derivatives market dropped remarkably by 15%. The Remaining Group was also affected, recording revenue of approximately HK\$185.4 million and a net loss of approximately HK\$36.9 million for the year ended 31 December 2012.

Capital structure, liquidity and financial resources

As at 31 December 2012, the Remaining Group had net current assets and net assets of approximately HK\$194.3 million and HK\$507.4 million, respectively. The Remaining Group had total bank borrowings of approximately HK\$251.4 million. Among the bank borrowings, a total of HK\$141.0 million bank loans were collateralised by its margin clients' securities pledged to the Remaining Group. A bank loan of HK\$23.3 million was secured by the Group's listed equity securities and listed debt securities with total carrying amount of approximately HK\$35.6 million. Other bank loans totally of HK\$30.3 million were secured by investment properties. The remaining bank borrowings were unsecured.

The Remaining Group's bank borrowings as at 31 December 2012 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread.

As at 31 December 2012, the Remaining Group's cash and bank balances including the trust and segregated accounts totalled HK\$979.8 million. Pursuant to a letter of undertaking provided by the Remaining Group to a bank, the Remaining Group undertook 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 this bank. Accordingly a bank deposit of approximately HK\$17.2 million was held for this purpose.

The liquidity ratio of the Remaining Group as at 31 December 2012 was at approximately 1.1 times. The gearing ratio as at 31 December 2012, which represented the ratio of interest bearing borrowings of the Remaining Group divided by the total equity, was approximately 50.5%.

For the year ended 31 December 2012, the Remaining Group financed its liquidity requirements mainly through cash flows generated from operating activities and cash inflows from financing activities which principally came from banking facilities granted to the Remaining Group.

Foreign exchange fluctuation and hedge

As at 31 December 2012, the Remaining Group did not have any material un-hedged foreign exchange exposure or interest rate mismatches.

Most of financial assets and financial liabilities of the Remaining Group were denominated in the Remaining Group entity's functional currency. No foreign currency sensitivity was disclosed as in the opinion of directors of the Remaining Group, the foreign currency exposure was considered insignificant during the year ended 31 December 2012. No financial instruments for hedging purposes were used. No foreign currency net investments were hedged by currency borrowings and other hedging instruments.

LETTER FROM THE BOARD

Significant investments, material acquisitions and disposals

As at 31 December 2012, the Remaining Group was holding a portfolio of investments held for trading with market values of approximately HK\$123.2 million. The net gain derived from investments held for trading of HK\$100.9 million was recorded for the year ended 31 December 2012.

On 10 November 2012, the Remaining Group announced a major transaction in relation to the acquisitions of the whole floors of 21/F and 22/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon (with a total gross area of approximately 24,067 square feet), together with eight car parking spaces in the same building, by the Remaining Group at the total consideration of approximately HK\$230,142,000 in cash. The construction of the properties is expected to be completed on or before 31 December 2013.

On 3 December 2012, the Remaining Group announced a discloseable transaction in relation to the subscription of 20% equity interest in Infinity (which is engaged in business of venture capital and private equity management in the PRC) by the Remaining Group at the consideration of US\$2,670,000 (equivalent to approximately HK\$20,639,000) in cash. Completion of the subscription took place on 3 January 2013.

Save as aforesaid, the Remaining Group did not make any other significant investment, material acquisitions or disposals during the year ended 31 December 2012.

Capital commitments and contingent liabilities

As at 31 December 2012, the Remaining Group had total capital commitments of HK\$227.7 million, comprising (i) HK\$207.1 million in relation to the balance of consideration of acquisition of the whole floors of 21/F and 22/F of Rykadan Capital Tower (items e(i)&(ii) as disclosed under the heading of “Material Contracts” in Appendix V to the Circular), and (ii) HK\$20.6 million in relation to the subscription of 20% equity interest in Infinity (item f as disclosed under the heading of “Material Contracts” in Appendix V to the Circular).

Save as aforesaid, the Remaining Group did not have any material outstanding capital commitments nor contingent liabilities as at 31 December 2012.

Employee information

At 31 December 2012, the Remaining Group had 324 employees. Its employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, it also offered staff benefits including medical insurance scheme, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Remaining Group for the year 2012 was approximately HK\$120.0 million. It continued to organise training to employees in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and professional regulatory training programs as required by regulatory bodies.

LETTER FROM THE BOARD

Future plans for material investments and acquisition of capital assets

The Remaining Group did not have any future plans for material investments nor addition of capital assets during the year ended 31 December 2012.

EFFECTS OF THE DISTRIBUTION IN SPECIE ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Earnings

The Privateco is currently a wholly-owned subsidiary of the Company. As a result of the Distribution Completion, the Privateco Group will cease to be subsidiaries of the Group.

Based on the unaudited pro forma consolidated income statement of the Remaining Group set out in the Appendix III to the Circular, the Group's loss for the year will be increased by approximately HK\$5.6 million.

Assets and liabilities

Based on the unaudited pro forma assets and liabilities statement of the Remaining Group set out in the Appendix III to the Circular, the total assets and the total liabilities of the Group are expected to be decreased by approximately HK\$636.1 million and HK\$222.1 million respectively. The net assets value of the Group will be decreased by approximately HK\$414.0 million.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to the terms of the Distribution In Specie. Vinco Capital has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Distribution In Specie.

THE SGM

Set out on pages 129 to 130 of the Circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 9:30 am on 18 June 2013 at which an ordinary resolution will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of the Distribution In Specie by poll.

As at the Latest Practicable Date, the CIGL Concert Party Group controls over the voting rights in respect of 1,758,522,749 Shares (approximately 45.35%) they entitled to as disclosed in the heading of "Shareholding structure of the Company and Privateco" in this section. The members of the CIGL Concert Party Group, which are interested in the Privateco Offer, will abstain from voting on any resolution at the SGM in relation to the Distribution In Specie.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with the Circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

In relation to the Distribution In Specie, the Directors (including all the independent non-executive Directors forming the Independent Board Committee) are of the opinion that the terms of the Distribution In Specie are fair and reasonable so far as the Independent Shareholders are concerned and the Distribution In Specie is in the interests of the Company and the Shareholders as a whole, and the Directors (including all the independent non-executive Directors forming the Independent Board Committee) therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM

Your attention is also drawn to the letters from the Independent Board Committee and Vinco Capital and their respective recommendations set out on pages 33 to 47 of the Circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to the Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

31 May 2013

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED DISTRIBUTION IN SPECIE OF SHARES IN THE PRIVATECO

We refer to the circular dated 31 May 2013 of the Company (“Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider the Distribution In Specie and to advise the Independent Shareholders whether, in our opinion, the Distribution In Specie is fair and reasonable so far as the Independent Shareholders as a whole are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Distribution In Specie.

We wish to draw your attention to the letter from the Board set out on pages 7 to 32 of the Circular which contains, inter alia, information on the Distribution In Specie and the letter from Vinco Capital set out on pages 34 to 47 of the Circular which contains its advice in respect of the terms of the Distribution In Specie.

Having taken into account the advice of Vinco Capital, we consider that the terms of the Distribution In Specie are fair and reasonable so far as the Independent Shareholders are concerned and the Distribution In Specie is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Distribution In Specie.

Yours faithfully

Independent Board Committee

Cheng Shu Shing Raymond

Lo Kwok Hung John

Lo Ming Chi Charles

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the Distribution In Specie which has been prepared for the purpose of incorporation in the Circular:



Units 4909-4910, 49/F., The Center, 99 Queen's Road Central, Hong Kong

31 May 2013

*To the Independent Board Committee of
CASH Financial Services Group Limited*

Dear Sirs,

PROPOSED DISTRIBUTION IN SPECIE OF SHARES IN THE PRIVATECO

A. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Distribution In Specie, details of which are set out in the circular issued by the the Company to the Shareholders dated 31 May 2013 ("Circular") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 15 May 2013, the Company announced that the Board proposes to distribute all of its Privateco Shares in specie to Qualifying Shareholders, whose name appear on the register of member of the Company on the Record Date, on the basis of one Privateco Share for each Share held. The Distribution In Specie will be distributed and made out of the contributed surplus account of the Company. As a result of the Distribution In Specie, the Privateco Group will cease to be the subsidiaries of the Company, and the Remaining Group will carry on the Remaining Businesses, being the financial services businesses. The Distribution In Specie is conditional upon all the pre-conditions of the Distribution In Specie as set out in the Circular having been fulfilled. Subject to the Distribution Completion and the Privateco Offer Pre-Conditions being satisfied, Celestial Capital will, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer which will be conditional upon valid acceptances being received which would result in the CIGL Concert Party Group holding more than 50% of the issued share capital of Privateco.

As at the Latest Practicable Date, the Company is currently beneficially owned as to approximately 42.75% by CIGL, a wholly-owned subsidiary of CASH. As such, CIGL and parties acting in concert with it for the purpose of the Takeovers Code, including CASH, the CASH Directors and Cash Guardian Limited, will abstain from voting the resolution in relation to the Distribution In Specie on the SGM.

LETTER FROM VINCO CAPITAL

The Independent Board Committee, comprising Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, all being the independent non-executive Directors who are independent of the Distribution In Specie, has been formed to advise the Independent Shareholders in respect Distribution In Specie. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Distribution In Specie. In our capacity as the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the terms of the Distribution In Specie are fair and reasonable so far as the Independent Board Committee and the Independent Shareholders are concerned and whether the Distribution In Specie is in the interests of the Company and Shareholders as a whole.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Distribution In Specie, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Distribution In Specie and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM VINCO CAPITAL

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Distribution In Specie, we have considered the principal factors and reasons set out below:

1. Historical financial performance of the Group

The Company is an investment holding company incorporated in Bermuda with limited liability and through its subsidiaries, is principally engaged in financial services businesses including mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, alternative trading; and the retail management businesses carried out through Privateco Group including retailing of furniture, household goods and electrical appliances through the chain stores under the brand names of “Pricerite” in Hong Kong and “生活經艷” (translated as Sheng Huo Jing Yan) in the PRC.

Set out below is a 3 years summary of the financial information on the Group as extracted from the annual reports of the Company for the three years ended 31 December 2012:

	For the year ended 31 December		
	2012	2011	2010
	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000
Revenue	1,281,129	1,334,440	1,294,203
(Loss) profit for the year	(33,524)	(31,964)	64,935

	As at 31 December		
	2012	2011	2010
	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000
Net asset value	921,413	961,094	944,743
Total assets	3,082,417	2,889,701	2,738,931
Total liabilities	2,161,004	1,928,607	1,794,188

LETTER FROM VINCO CAPITAL

(i) Audited consolidated results for the year ended 31 December 2011

As disclosed in the annual report of the Company for the year ended 31 December 2011 (“Annual Report 2011”), the Group recorded a revenue of approximately HK\$1,334.4 million, representing a slight increase of approximately 3.1% as compared with that of the previous year. However, during the year the Group recorded a net loss of approximately HK\$32.0 million for the year ended 31 December 2011 as compared to a net profit of approximately HK\$64.9 million for the previous year. With reference to the Annual Report 2011, such turnaround was mainly due to lower segment profit (before taxation, minority interest and extraordinary items) from the Group’s financial services businesses which recorded a loss of approximately HK\$5.8 million during the year in contrast to a net profit (before taxation, minority interest and extraordinary items) of approximately HK\$32.6 million during the previous year and the retail management businesses of which the segment profit (before taxation, minority interest and extraordinary items) decreased from approximately HK\$47.7 million during the previous year to approximately HK\$16.9 million for the year ended 31 December 2011, both of which were due to the sharp increase in their operating overheads. The net assets of the Group as at 31 December 2011 was approximately HK\$961.1 million, representing an increase of approximately 1.7% compared with that as at 31 December 2010.

(ii) Audited consolidated results for the year ended 31 December 2012

As disclosed in the annual report of the Company for the year ended 31 December 2012 (“Annual Report 2012”), the Group recorded a revenue of approximately HK\$1,281.1 million, representing a decrease of approximately 4.0% as compared with that of the previous year. With reference to the Annual Report 2012, the net loss for the year increased further from approximately HK\$32.0 million in 2011 to approximately HK\$33.5 million in 2012, representing a slight increase of approximately 4.9% from previous year. Such increase was mainly due to the combined effect of the increase in net loss (before taxation, minority interest and extraordinary items) of the financial services business segment, from approximately HK\$5.8 million during the previous year to approximately HK\$36.9 million for the year ended 31 December 2012 as a result of the beleaguered financial market in Hong Kong under the volatile global economic conditions and the decrease in segment profit (before taxation, minority interest and extraordinary items) from retail management businesses from approximately HK\$16.9 million during the previous year to approximately HK\$12.6 million for the year ended 31 December 2012 as a result of the rising operating costs and the underperforming PRC retailing business given its early investment phase. The net assets of the Group as at 31 December 2012 was approximately HK\$921.4 million, representing a decrease of approximately 4.1% compared with that as at 31 December 2011.

LETTER FROM VINCO CAPITAL

2. Reasons and benefits of the Distribution In Specie

The restructuring of the Group, through the Distribution In Specie to segregate the Privateco Group from the Group, would be beneficial to the Company and the Shareholders as a whole in the following ways:

- (i) *To concentrate on and devote more resources in developing financial services businesses*

As discussed with the management of the Company, we understand that given the US fiscal cliff, Eurozone debt crisis and the slowdown in the growth of China's economy, the global financial markets and economic conditions have been unstable in recent years. As a result, the Hong Kong financial market was influenced by these global crises and the downward trended local economic growth and therefore the Group's financial services businesses had inevitably been affected. In order to cope with challenging global environment and economic uncertainty and to turn around the performance of its financial services businesses, it is the intention of the Group to concentrate on and devote more resources to developing and expanding its comprehensive, technology-driven and mobile financial services businesses.

To enable the Group to effectively capitalise the opportunities, meet the challenges and become a leading technology-focused financial services provider, the Group proposes to focus singly on the Remaining Businesses. Given the distinctive business nature between the financial services businesses and the retail management businesses, which come with different growth path and different business strategies, the management of the Company believes that it would be beneficial for the Remaining Group to focus on the financial services businesses and for the Privateco Group to focus on retail management businesses. The restructuring will allow the Remaining Group to create a more defined business focus and separate platforms for the financial services businesses and retail management businesses to grow with more focused development and strategic planning for their respective operations.

- (ii) *To streamline the management structure of the Privateco Group*

Moreover, through the restructuring and Distribution In Specie, the administrative, accounting and corporate approval processes of the Privateco Group under the existing two tier ownership structure, which have to go through the approval processes by the respective boards of the Privateco and the Company and by their respective shareholders when necessary, can be streamlined to improve operational and management efficiencies. As such, the Remaining Group and the Privateco Group will have their own separate management structure focusing on the financial services businesses and retail management businesses, thereby enhancing the decision-making process and its responsiveness to continuously changing market conditions.

LETTER FROM VINCO CAPITAL

- (iii) To improve the operational and financial transparency of the financial services businesses and retail management businesses*

The Privateco upon the Distribution Completion will become a public company under the laws of Hong Kong (under the registration of Part XI of the Company Ordinance). The Privateco will make the directors' report and copy of the auditors' report available to the holders of the Privateco Shares at least 21 days before the general meeting by virtue of its articles of association to be adopted. The subsequent interim reports and annual reports of the Remaining Group will only cover the operational and financial information of its financial services businesses. As such, the clear delineation between the financial services businesses and retail management businesses is expected to enhance the operational and financial transparency of the two existing business segments of the Group and thereby provide investors, financiers and market rating agencies with greater business clarity and financial status of the Remaining Group to appraise the strategies, prospects, risks and returns of the financial services businesses. The restructuring, through the Distribution In Specie to delineate the existing two business segments, would also allow both management and Shareholders to independently benchmark their performance in the coming future.

- (iv) To provide an option for the allowing the Shareholders to hold a direct investment and participate in the growth of the Privateco Group or realizing the investment in the Privateco Group*

Upon the Distribution Completion, the Shareholders will hold the Privateco Shares directly and become the immediate shareholders of the Privateco. Under the existing two tier ownership structure, any return from the investment in the Privateco Group, e.g. cash dividends, would be paid to its immediate shareholder, i.e. the Company, rather than the Shareholders. Depending on the capital requirements on other business segments and funding allocation of the Group, such rewards from the Privateco Group may or may not be shared with the Shareholders. Subject to the business and financial performance of Privateco Group in the future, in case the board of the Privateco declare cash dividends, script dividends or bonus issue when appropriate, the Shareholders who hold the Privateco Shares directly would be able to share the rewards from the Privateco Group in terms of dividends and/or bonus issue and capture the growth and development of the Privateco Group.

Meanwhile, the Privateco will become a public non-listed company under the laws of Hong Kong and like any kinds of companies as well as a listed company, the Privateco Group may require further funding from the its shareholders to maintain and develop its business in the future even though the board of the Privateco currently has no intention to conduct any fund raising activities. Since currently the Board has no intention to make any application for the listing of, and permission to deal in, Privateco Shares on the Stock Exchange or any other stock exchange, upon the Distribution Completion the marketability and liquidity of the Privateco Shares are expected be substantially lower than those of the Shares of the Company given that there are no readily established market or trading platform for the holders of the Privateco Shares to liquidate their investment. Nevertheless, the Distribution In Specie would, on the other hand, serve as an opportunity for the Shareholders who, instead of holding the direct investment in Privateco Group, would like to realise their

LETTER FROM VINCO CAPITAL

investment in the Privateco Group. Celestial Capital will, subject to the fulfillment of the Privateco Offer Pre-Conditions and on behalf of CIGL, make a voluntary conditional cash offer, i.e. the Privateco Offer, after the Distribution Completion and being as a cash exit to the holders of Privateco Shares. The Distribution In Specie, together with the Privateco Offer, will therefore provide flexibility and an opportunity to those Shareholders who would like to realise all or part of their interests in the Privateco Group. The details of the Privateco Offer and our opinion on the terms of the Privateco Offer will be included in the Composite Offer Documents.

Having reviewed the Company's business structure and composition, we concur with the management of the Company that the restructuring and Distribution In Specie would enable the Company to implement its strategy to focus its financial and management resources on the financial services businesses, streamline the administrative, accounting and corporate approval processes of the Private Group, and allow the Qualifying Shareholders to participate in the growth and development of the Privateco Group directly or to realise their investment in the Privateco Group. In light of the above, we concur with the view of the Directors that the Distribution In Specie is in the interests of the Company and the Shareholders as a whole.

3. Prospect of the Remaining Group

The Company is a leading financial services conglomerate in China. The Company has been providing its broad-based clients with a comprehensive range of financial products and quality services that cater for their versatile investment and wealth management needs regardless of the boundaries of time and location. The financial services businesses comprise of a comprehensive range of financial products and services includes brokerages for mobile and premium trading, investment banking and corporate finance advisory, wealth management, alternative trading, etc. As a result of the Distribution In Specie, the Privateco Group will cease to be the subsidiaries of the Company and the Remaining Group will carry on the financial services businesses.

As a leading technology focused financial services provider, one of the key strategies of the Company is to develop its mobile trading services by introducing various stock trading apps on various mobile devices. As set out in the "Letter from the Board", to meet clients' ever-changing investment habits and needs, the Remaining Group has been in recent years dedicated to developing its mobile trading services by introducing various stock trading apps, futures trading app and online trading application on certain popular mobile devices, so as to substantially contain the operating and compliance costs of the financial market. It is the intention of the Board for the Remaining Group to continue to transform the financial services group from a retail-oriented brokerage to a technology-driven financial services house, serving high-net-worth individuals, institutional, corporate, commercial and premium clients with an aim to increase its operating revenue and margin. Leveraging its advanced electronic trading platform, the Company has developed an extensive distribution network to reach its institutional, corporate and individual clients across China.

LETTER FROM VINCO CAPITAL

With the technological advance in mobile telecommunication industry, the use of mobile devices is becoming more common all over the world. China, in particular, has experienced a tremendous growth in the smartphone industry in recent years. According to Digitimes, an information source for the supply side of the semiconductor, electronics, computer and communication industries, the sales of smartphones in China are expected to grow for about 137% on year to 189 million units in 2012. The estimated sales of smartphones will reach 329 million units in 2013, representing a growth of about 67% from 2012 due to large growth in total number of 3G subscribers. With reference to the press releases from Ministry of Industry and Information Technology of the PRC, during the first 4 months in 2013 there was an increase of approximately 55.94 million of 3G users and the penetration rate of 3G network increased to 25% among the mobile phone users. In Hong Kong, according to the statistics from the Office of the Communication Authority, the number of 3G and 4G network users has increase significantly from around 3.82 million in 2009 to 9.38 million in 2012. As the use of mobile telecommunication devices are becoming popular, it is likely that the mobile trading platform will be more common and has a great market potential. Therefore, by taking advantage of the growth in mobile devices, the mobile trading services business represents one of the potential performance drivers of the Remaining Group.

On the other hand, the growth of the Group's financial services businesses was hindered by a number of factors like US fiscal cliff, Eurozone debt crisis and concerns over the slowdown of China's growth, which had been looming over the worldwide financial markets including China and Hong Kong. According to the statistics published by China Securities Regulatory Commission, the turnover of China's stock market has decreased from approximately RMB54.56 trillion in 2010 to approximately RMB42.16 trillion in 2011 and eventually down to approximately RMB31.47 trillion in 2012, with a decrease in average daily turnover from approximately RMB225.47 billion in 2010 to approximately RMB129.49 billion in 2012. As shown in the Fact Book 2012 of the Stock Exchange, the turnover of the main board also decreased from approximately HK\$17.08 trillion in 2010 to approximately HK\$13.27 trillion in 2012, with a decrease in average daily turnover from approximately HK\$68.58 billion in 2010 to approximately HK\$53.71 billion in 2012. Nevertheless, the management of the Company is cautiously optimistic about the economic outlook in the medium to longer term. The lacklustre market sentiment as brought about by the post-financial crisis is still lingering on to 2013 due to investors' concerns on global political and economic problems. However, the management of the Company believes that the recent robust rally in stock market indices signaled an improving economic condition. Coupled with the rising risk appetite, the stock market in Hong Kong has shown growth and improvement in returns as evidenced by the increased in the total turnover in value by 16.7% for the four months ended 30 April 2013 as compared with the figure for the same period last year and growth in Hang Seng Index by 7.8% up to 30 April 2013 from the same date last year. Going forward, the Remaining Group will continue to build up its brand name and gain wider prominence and recognition in its comprehensive financial services, while to maintain stringent cost controls over operations of the Remaining Group and the Remaining Group is confident that as the financial services sector continues to be a pillar industry in Hong Kong, with its indispensable role as the designated offshore Renminbi centre, the Group is dedicated to becoming the financial services house of choice in the Hong Kong and Mainland China market, and will be among the first to benefit from the positive growth in the industry.

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As discussed with the management of the Company, given the unstable operating environment and concerns surrounding the global financial market, it would be essential for the Company to improve its performance with a better management focus and follow through. An effective strategic management would require ongoing and continuous monitoring, evaluation and control on the business and industry in which a company is involved. By having the Remaining Businesses as a key focal point on the business development strategy through the Distribution In Specie, notwithstanding with the performance in recent years and the challenge ahead, it will allow the Remaining Group to concentrate on and devote more resources in developing the Remaining Businesses and continue to create value for the Company and Shareholders as a whole. It is also worth noting that, given the relatively low profit margin of its retail management businesses and the poor performing financial services businesses, during the previous three financial years ended 31 December 2012, the Distributed Businesses have been a significant source of revenue which accounted for approximately 78.1%, 80.4% and 85.5% of the Group's total revenue for the three years ended 31 December 2012 respectively and the Remaining Businesses have recorded losses for the previous two financial years. To cope with the funding needs for the future development of the Remaining Businesses after taken into consideration of its performance in recent years, the management intended to retain the cash dividend of approximately HK\$111.7 million declared and paid by the Privateco on 31 March 2013. In order words, under the existing two-tier ownership structure, Shareholders are having indirect interests in the Privateco Group. Any rewards from the profitable retail management businesses will be shared to Shareholders through their shareholding interests in the Company. Depending on the funding requirement and performance of the financial services businesses, such dividend may or may not be directly and immediately distributed to Shareholders. The Distribution In Specie, instead, will allow the Shareholders to become the immediate shareholders of the Privateco and, subject to the performance and growth of the Distributed Businesses, they will be able to directly enjoy any rewards from the growth of the Distributed Businesses in the future. Having considered that (i) the Distribution In Specie will allow the Remaining Group to concentrate its management and financial resources in improving the performance of the Remaining Businesses in light of its recent performance and (ii) Shareholders will be able directly enjoy the rewards and returns from the Distributed Businesses, we are of the view that the Distribution In Specie is fair and reasonable and is in the interests of the Company and Shareholders as a whole.

Having considered the above, while there is room for growth and improvement, the future performance of the Remaining Group will still be subject to a number of factors, including but not limited to, the ability of the Remaining Group to response to customers' preference, changing market conditions, technological advance, effective cost control and the worldwide economic conditions, etc.

4. Principal terms of the Distribution In Specie

(i) Basis of the Distribution In Specie

As at the Latest Practicable Date, the Privateco had 50,000 authorised Privateco Shares of US\$1.00 each, of which 100 Privateco Shares (representing 100% of the equity interest) of US\$1.00 each had been issued to the Company. To facilitate the Distribution In Specie, the Privateco will, among other things, redenominate and convert the nominal value of its authorised and issued share capital from US\$1.00 each to HK\$0.01 each and

LETTER FROM VINCO CAPITAL

increase its authorised shares to 4,000,000,000 Privateco Shares of HK\$0.01 each such that the Privateco will have 100,000 issued Privateco Shares and 4,000,000,000 authorised Privateco Shares, and issue and allot new 3,877,759,588 Privateco Shares of HK\$0.01 each to the Company. There will be 3,877,859,588 Privateco Shares and will be distributed to Qualifying Shareholders, whose names appear on the register of members of the Company on the Record Date, on the following basis:

for each Share held one Privateco Share

Immediately after the Distribution Completion but before the commencement of the Privateco Offer, the Privateco will be owned as to approximately 45.35% by the CIGL Concert Party Group, 2.23% by the Directors (other than those who are also CASH Directors which have been taken into account in CIGL Concert Party Group), 0.71% by the directors and associates of the Company's subsidiaries and 51.71% by the Independent Shareholders respectively (before the treatment of Excluded Overseas Shareholders). We noted that such shareholding structure in the Privateco is identical to the existing shareholding structure of the Company which fairly reflects the respective interests attributable to each of the Shareholders in the Privateco.

As set out in the "Letter from the Board", the net asset value per Privateco Share would be approximately HK\$0.040 with reference to the consolidated net asset value of the Privateco Group of approximately HK\$154,335,000 as at 31 December 2012 ("Privateco Group NAV") and the 3,877,859,588 Privateco Shares which are expected to be issued upon the Distribution Completion. However, having taken into consideration of the payment of dividend of approximately HK\$111.7 million by the Privateco on 31 March 2013, the net asset value became approximately HK\$0.011 per Privateco Share. Although the direct interest of the Shareholders, in terms of the total net assets of the Privateco Group and through their interests in the Privateco Shares, has been substantially reduced after the distribution of the dividend, such dividend was retained and intended to be applied on the Remaining Businesses of the Group. Therefore, having taken into account of the interests in both the Shares and the Privateco Shares, the dividend distribution is solely a relocation of financial resources among the Remaining Group and the Privateco Group.

In terms of price-to-earning ratio, if only the Shareholders' direct interest in the Privateco Group NAV upon Distribution Completion is considered, after payment of dividend of approximately HK\$111.7 million and based the consolidated profit of the Privateco Group after the adjustment of the effective interest income from the Remaining Group, the implied price-to-earnings ratio would be approximately 7.6 times, which is apparently lower than the price-to-earnings ratio of approximately 10 times when the Privateco Group was acquired by the Company from CASH in 2009. With reference to the Annual Report 2011 and Annual Report 2012, we note that the segment profit from the retail management businesses has been decreasing for three consecutive financial years since 2010, from approximately HK\$47.7 million in for the year ended 31 December 2010 to approximately HK\$12.6 million for the year ended 31 December 2012, representing a significant decrease of approximately 73.6%. Given the adverse changes in the operating environment, including but not limited to, the sharp increase in rental costs, newly enacted

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statutory minimum wages and the appreciation of RMB of which has led to the increase in purchase costs of goods, it has posted challenges to the retail management businesses of the Group and the current market condition is not as same as the situation in 2009 when the Group acquired the Privateco Group. In light of the above, we are of the view the lower price-to-earning ratio is justifiable and that the Distribution In Specie, which has been arrived at after taking into account the Shareholders' indirect interest in the dividend from the Privateco to the Company through their shareholdings in the Company, are fair and reasonable.

The distribution In Specie will be distributed and made out of the contributed surplus account of the Company. The Privateco Shares, when issued, will rank *pari passu* in all respects with each other. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange. As a result of the Distribution In Specie, the Privateco Group will cease to be the subsidiaries of Company, and the Remaining Group will carry on the Remaining Businesses, being the financial services businesses. Subject to the Distribution Completion and the Privateco Offer Pre-Conditions being satisfied, Celestial Capital will, on behalf of CIGL and pursuant to the Takeovers Code, make the Privateco Offer to holders of the Privateco Shares as cash exist for those who would like to realise their investment, partially or in full, in the Privateco Group.

(ii) Conditions precedents

The Distribution In Specie is conditional upon all the following pre-conditions of the Distribution In Specie having been fulfilled on or before 30 September 2013:

- (a) the passing of an ordinary resolution(s) by the Independent Shareholders at the SGM to approve the Distribution In Specie;
- (b) the passing of an ordinary resolution(s) by the CASH Shareholders at the CASH SGM to approve the Privateco Offer; and
- (c) the obtaining of all relevant consents and approval from banks and/or other lenders in relation to facility and/or loan agreements entered into by the Privateco Group, in connection with the possible change of the corporate guarantee by the Company for the banking facilities rendered to Privateco Group as a result of the Distribution In Specie and the Privateco Offer.

(iii) New articles of association

As set out in the "Letter from the Board", there will be new articles of association of the Privateco to safeguard the interests of the holders of Privateco Shares. The new articles of association will contain comparable provisions required under the Listing Rules in respect of a listed issuer. The summary of the new articles of association of the Privateco to be adopted is set out in Appendix IV of the Circular.

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We have reviewed the principal clauses of the new articles of association to be adopted and we note that the clauses thereunder, including but not limited to, rights and duties of directors and shareholders individually and in meetings, dealing with allotment, transfer and forfeiture of Privateco Shares, annual audit of financial statements, are generally comparable to those under the existing articles of association of the Company. Therefore, we concur with the view of the management that the interests of the holders of Privateco Shares could be fairly protected even though the Privateco will not be a listed public company upon the Distribution Completion.

(iv) Overseas Shareholders

As at the Latest Practicable Date, there are a total of 23 Overseas Shareholders with a total shareholding of 1,988 Shares who have registered addresses in eight jurisdictions, namely, Macau, Malaysia, the PRC, Singapore, the United Kingdom, Australia, France and Taiwan. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Board has made appropriate enquires in respect of the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Distribution In Specie to such Overseas Shareholders.

The Company has obtained advice from legal advisers in the Macau, Malaysia, the PRC, Singapore and the United Kingdom and the Company has been advised that under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Distribution In Specie to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval from and/or registration of the Circular with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Distribution In Specie will be extended to the Overseas Shareholders having registered addresses in the Macau, Malaysia, the PRC, Singapore and the United Kingdom and such Overseas Shareholders are Qualifying Shareholders.

On the other hand, the Company has also obtained advice from legal advisers in Australia, France and Taiwan and it has been advised that either (i) the Circular will be required to be registered or filed with or subject to approval by the relevant regulatory authorities (as the case may be) in these jurisdictions; or (ii) the Company would need to take additional steps to comply with the regulatory requirements of the relevant regulatory authorities in these jurisdictions. Therefore, the Company would be required to comply with the relevant laws and regulations in these jurisdictions if the Distribution In Specie were to be offered to the Overseas Shareholders with registered addresses in Australia, France and Taiwan. In view of the circumstances and considering the time and costs involved for legal compliance (as the case may be), the Directors are of the view that it would be expedient not to extend the Distribution In Specie to such Overseas Shareholders in Australia, France and Taiwan. Accordingly, the Overseas Shareholders having registered addresses in Australia, France and Taiwan would be Excluded Shareholders and the Distribution In Specie would not be extended to such Overseas Shareholders. As such, arrangements will be made for Privateco Shares which would otherwise be allotted to the Excluded Overseas Shareholders to be sold to CIGL at HK\$0.011, being the unaudited consolidated net asset

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value per Privateco Shares as at 31 March 2013. We considered the above arrangement for the Excluded Overseas Shareholders will enable them to receive the cash value equal to the net asset value per Privateco Shares to be reasonable and is the best available and practical alternative for them as compared to not being able to receive the benefits of the Distribution In Specie as the Qualifying Shareholders.

Having considered the above, in particular, (i) the basis of distributing one Privateco Shares for every existing Share is aim at replicating the existing shareholding structure in the Company and upon the Distribution Completion the interests of Shareholders in the Privateco will be identical to their respective existing interests in the Company, (ii) new articles of association which are comparable to those of listed companies will be in place to safeguard the interests of the holders of Privateco Shares, and (iii) the treatment of Excluded Overseas Shareholders represents the best practical alternative under the relevant legal restriction, we are of the view that the principal terms of the Distribution In Specie are fair and reasonable.

D. POSSIBLE FINANCIAL EFFECTS OF THE DISTRIBUTION IN SPECIE

(i) Earnings

Following the completion of the Distribution In Specie, those existing subsidiaries of the Group carrying retail management businesses will no longer be members of the Group as they will become subsidiaries of the Privateco. Accordingly, the financial results of the Privateco Group will cease to be consolidated into the financial statements of the Remaining Group in the future. Therefore, the revenue and profits of the Remaining Group will solely depend on the contribution from its financial services businesses.

As extracted from the accountants' report of the Privateco Group set out in Appendix II to the Circular, the revenue and profit after taxation contributed by the retail management businesses were approximately HK\$1,095.7 million and HK\$13.3 million. The revenue of the retail management businesses accounted for approximately 85.52% of the total revenue of the Group. The net loss of the Remaining Group for the year ended 31 December 2012, based on the unaudited pro forma consolidated income statement as shown in the Appendix III to the Circular, will be increased to approximately HK\$39.1 million. Therefore, unless there is substantial improvement in the financial services businesses, it is expected that the revenue and earnings of the Remaining Group will decrease substantially.

(ii) Net assets

The financial assets and liabilities of the Privateco Group will cease to be consolidated into the financial statements of the Remaining Group in the future. Based on the unaudited pro forma consolidated statement of financial position as set out in the Appendix III to the Circular, the total assets and total liabilities of the Remaining Group are expected to decrease by approximately HK\$636.1 million and HK\$222.1 million respectively. Therefore, the net assets of the Remaining Group will be decreased by approximately HK\$414.0 million from approximately HK\$921.4 million to HK\$507.4 million.

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E. RECOMMENDATION

Taking into consideration the abovementioned factors and reasons, we are of the view that the terms of the Distribution In Specie are fair and reasonable so far as the Independent Shareholders are concerned, and the Distribution In Specie is in the interests of the Company and Shareholders as a whole. Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM approving the Distribution In Specie.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. FINANCIAL SUMMARY OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 are disclosed in the Company's 2010 annual report dated 11 March 2011 (from pages 64 to 134), 2011 annual report dated 16 March 2012 (from pages 47 to 118) and 2012 annual report dated 15 March 2013 (from pages 51 to 122) respectively. The annual reports can be accessed on the website of the Company (www.cashon-line.com) and the website of the Stock Exchange (www.hkexnews.hk).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2013, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Group had the following indebtedness:

Borrowings

As at 30 April 2013, the Group had total outstanding bank borrowings of approximately HK\$407.5 million, comprising of unsecured loan of US\$3.5 million (equivalent to approximately HK\$27.4 million) from a non-controlling shareholder of one of its subsidiaries, secured bank borrowings of approximately HK\$223.2 million, secured trust receipt loans of approximately HK\$109.5 million, secured mortgage loans of approximately HK\$24.4 million, secured margin loan from one broker firm of approximately HK\$23.0 million.

Bank borrowings in aggregate of approximately HK\$161.9 million were collateralized by its margin clients' securities pledged to the Group (with client's consent). Bank borrowings of approximately HK\$23.3 million were secured by the Group's bonds investment with a total carrying amount of approximately HK\$27.9 million. Trust receipts loans in aggregate of approximately HK\$109.5 million were secured by pledged deposits of approximately HK\$73.4 million. Mortgage loans in aggregate of approximately HK\$24.4 million were secured by the Group's investment properties with a total carrying amount of approximately HK\$61.1 million. The margin loan from a broker firm of approximately HK\$23.0 million was secured by the Group's securities investment and cash with a total carrying amount of approximately HK\$24.8 million.

In addition to the pledged bank deposits of approximately HK\$73.4 million explained in the preceding paragraph, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK\$15 million with the bank as a pre-condition for an overdraft facility of HK\$15 million granted by this bank. Accordingly, bank deposits in aggregate of approximately HK\$17.2 million were held for this purpose.

The Group also had outstanding obligations under finance leases of approximately HK\$0.2 million as at 30 April 2013, which are secured by motor vehicles with a total carrying amount of approximately HK\$0.5 million.

Apart from the aforementioned unsecured loan of approximately HK\$27.4 million, the remaining bank borrowings, mortgage loans, revolving loans, margin finance loans and obligations under finance leases in aggregate of approximately HK\$380.3 million were guaranteed.

Contingent liabilities

As at 30 April 2013, the Group had no litigations/claims as stated in the paragraph headed “Litigation of the Group” in Appendix V to the Circular. Accordingly, the Group had no material contingent liabilities as at 30 April 2013.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 30 April 2013.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 30 April 2013.

3. LIQUIDITY, FOREIGN CURRENCY AND CAPITAL COMMITMENTS**Liquidity ratio**

As at 31 December 2012, the Group’s cash and bank balances were approximately HK\$1,164.1 million. Our liquidity ratio was approximately 1.1 times on 31 December 2012. Our gearing ratio, which was calculated based on the interest bearing borrowings of the Group divided by the total equity, was approximately 41.6% on 31 December 2012.

Capital commitments

As at 31 December 2012, the Group has total capital commitments of approximately HK\$227.7 million, comprising (i) approximately HK\$207.1 million in relation to the balance of consideration of acquisition of the whole floors of 21/F and 22/F of Rykadan Capital Tower (items e(i)&(ii) as disclosed under the heading of “Material Contracts” in Appendix V to the Circular), and (ii) HK\$20.6 million in relation to the subscription of 20% equity interest in Infinity (item f as disclosed under the heading of “Material Contracts” in Appendix V to the Circular).

Save as aforesaid, the Group did not have any material outstanding capital commitment as at 31 December 2012.

Foreign exchange risk

All of the Group’s borrowings and cash and cash equivalents held are mainly in HK dollar, with the interest rates priced at close to banks’ funding costs, as a result, our exposure to both foreign currency and interest rate fluctuation was insignificant. As at 31 December 2012, the Group did not have any material un-hedged foreign exchange or interest rate exposure.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group, and its internally generated funds, in absence of unforeseen circumstances, the Group has sufficient working capital for its present requirement for the next twelve months from the date of the Circular.

5. MATERIAL ADVERSE CHANGES

The Directors has confirmed that, at the Latest Practicable Date, there is no material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in the Circular received from the reporting Accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



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31 May 2013

The Board of Directors
CASH Financial Services Group Limited

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding CASH Retail Management (HK) Limited (“CRM(HK)”) and its subsidiaries (hereinafter collectively referred to as the “CRM(HK) Group”) for each of the three years ended 31 December 2012 (the “Relevant Periods”) for inclusion in the circular of CASH Financial Services Group Limited (the “Company”) dated 31 May 2013 (the “Circular”) issued in connection with the proposed distribution in specie of shares of CRM(HK).

CRM(HK) was incorporated in the British Virgin Islands (“BVI”) on 11 May 2005 and acted as investment holding company. The registered address of CRM(HK) is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

Particulars of CRM(HK)’s subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the CRM(HK) Group				Principal activities
			As at 31 December			As at date of this report	
			2010	2011	2012		
Celestial IT Investments Limited	BVI 6 January 2000	Ordinary shares US\$2	100%	100%	100%	100%	Inactive
Pricerite.com.hk Limited	Hong Kong 10 May 1988	Ordinary shares HK\$2	100%	100%	100%	100%	Retailing of furniture and household products through corporate sales

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the CRM(HK) Group			As at date of this report	Principal activities
			As at 31 December				
			2010	2011	2012		
Pricerite China Development Limited	BVI 19 November 2012	Ordinary shares US\$1	N/A	N/A	100%	100%	Inactive
Pricerite China Holdings Limited	Hong Kong 26 August 1988	Ordinary shares HK\$2	100%	100%	100%	100%	Investment holding
Pricerite Electrical Appliances Limited	Hong Kong 17 June 2005	Ordinary share HK\$1	100%	100%	100%	100%	Retailing of electrical appliance products in Hong Kong
Pricerite Marketing Limited	Hong Kong 19 May 2000	Ordinary shares HK\$2	100%	100%	100%	100%	Provision of administrative services to group companies
Pricerite Stores Limited	Hong Kong 10 October 1986	Ordinary shares HK\$200,000,000	100%	100%	100%	100%	Retailing of furniture and household products in Hong Kong
Richwell Target Limited	Hong Kong 27 July 1995	Ordinary shares HK\$2	100%	100%	100%	100%	Property holding
Soho Novo Intl Purchasing Limited ("Soho Novo")	Hong Kong 19 May 2011	Ordinary shares HK\$1	N/A	100%	100%	100%	Inactive
深圳市品致生活家居用品有限公司("品致生活") (translated as Pin Zhi Sheng Huo) (note b)	The People's Republic of China (the "PRC") 28 November 2003	RMB5,500,000	100%	100%	100%	100%	Provision of management services to group companies
廣州派思惠商貿有限公司("廣州派思惠") (translated as Guangzhou Pai Si Hui)	The PRC 5 January 2011	RMB28,500,000	N/A	100%	100%	100%	Retailing of furniture and household products in the PRC
廣州時富貿易有限公司("廣州時富") the PRC (translated as Guangzhou Shi Fu)	The PRC 21 April 2011	RMB2,500,000	N/A	100%	100%	100%	Retailing of furniture and household products in

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Notes:

- (a) Other than Pricerite China Development Limited, Soho Novo, 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu), all of the CRM(HK)'s subsidiaries are directly owned by CRM(HK).
- (b) 品致生活 (translated as Pin Zhi Sheng Huo) is indirectly held by CRM(HK) through the declarations of trust executed by Wei Li and Tan Jing Lin who hold the interest in 品致生活 (translated as Pin Zhi Sheng Huo) of 49% and 51% respectively at the date of this report.

We have acted as the statutory auditor of all the CRM(HK)'s subsidiaries, other than Celestial IT Investments Limited, Pricerite China Development Limited, 品致生活 (translated as Pin Zhi Sheng Huo), 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu), for each of the three years ended 31 December 2012.

No audited financial statements have been prepared for CRM(HK), Celestial IT Investments Limited and Pricerite China Development Limited, which are incorporated in a country where there is no statutory audit requirement.

The audited financial statements of 品致生活 (translated as Pin Zhi Sheng Huo) for each of three years ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 深圳誠華會計師事務所 (translated as Shenzhen Cheng Hua Hui Ji Shi Shi Wu Suo), certified public accountants registered in the PRC and the audited financial statements of 廣州派思惠 (translated as Guangzhou Pai Si Hui) and 廣州時富 (translated as Guangzhou Shi Fu) for the period from respective dates of incorporation to 31 December 2011 and the year ended 31 December 2012 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 廣州市正大中信會計師事務所 (translated as Guangzhou Shi Zheng Da Zhong Xin Hui Ji Shi Shi Wu Suo), certified public accountants registered in the PRC.

For the purpose of this report, the directors of CRM(HK) have prepared the consolidated management accounts of the CRM(HK) Group for the Relevant Periods ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the CRM(HK) Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of CRM(HK). The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the CRM(HK) Group and CRM(HK) as at 31 December 2010, 2011 and 2012 and of the consolidated results and consolidated cash flows of the CRM(HK) Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	<i>Notes</i>	Year ended 31 December		
		2010	2011	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	1,011,241	1,072,752	1,095,681
Other income	8	14,252	6,113	12,451
Other gains and losses		(174)	32,387	(4,726)
Cost of sales for retailing business		(591,049)	(638,297)	(647,983)
Salaries, commission and related benefits		(107,871)	(131,901)	(120,576)
Depreciation		(17,274)	(21,432)	(24,425)
Other operating, administrative and selling expenses		(257,054)	(296,375)	(286,035)
Finance costs	9	(4,375)	(3,913)	(4,040)
Profit before taxation		47,696	19,334	20,347
Income tax expense	11	(5,124)	(3,000)	(7,000)
Profit for the year	12	42,572	16,334	13,347
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		14	22	209
Surplus on revaluation of leasehold land and buildings		3,815	22,582	–
Deferred taxation arising on revaluation of leasehold land and buildings		(630)	(3,631)	–
Other comprehensive income for the year		3,199	18,973	209
Total comprehensive income for the year		45,771	35,307	13,556

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Consolidated Statements of Financial Position

		As at 31 December		
	<i>Notes</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets				
Property and equipment	14	106,421	41,034	28,314
Rental and utilities deposits		24,959	26,920	26,017
Deferred tax assets	15	4,700	4,700	5,700
Amounts due from fellow subsidiaries	18	–	58,978	–
		136,080	131,632	60,031
Current assets				
Inventories	16	48,948	59,423	56,785
Prepayments, deposits and other receivables	17	18,225	23,178	24,048
Amounts due from fellow subsidiaries	18	1	–	162,927
Tax recoverable		–	1,894	–
Pledged bank deposits	19	41,395	62,895	73,400
Bank balances and cash	19	160,233	179,483	110,869
		268,802	326,873	428,029
Current liabilities				
Accounts payable	20	153,597	165,234	166,400
Accrued expenses and other payables	20	22,027	32,864	31,091
Tax payable		3,803	–	4,422
Borrowings	21	113,047	114,818	131,812
		292,474	312,916	333,725
Net current (liabilities) assets		(23,672)	13,957	94,304
Total assets less current liabilities		112,408	145,589	154,355
Non-current liabilities				
Deferred tax liabilities	15	4,700	–	–
Net assets		107,708	145,589	154,335
Capital and reserves				
Share capital	22	1	1	1
Reserves		107,707	145,588	154,334
		107,708	145,589	154,335

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Statements of Financial Position

		As at 31 December		
	<i>Notes</i>	2010	2011	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Investments in subsidiaries	13	200,000	200,000	200,000
Current assets				
Amounts due from fellow subsidiaries	18	1	1	1
Current liabilities				
Amounts due to subsidiaries	18	169,202	169,194	171,500
Net current liabilities		(169,201)	(169,193)	(171,499)
Net assets		<u>30,799</u>	<u>30,807</u>	<u>28,501</u>
Capital and reserves				
Share capital	22	1	1	1
Reserves	23	30,798	30,806	28,500
Total equity		<u>30,799</u>	<u>30,807</u>	<u>28,501</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Consolidated Statements of Changes in Equity

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Shareholders' transaction reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2010	1	6,601	360	20,594	391,186	(356,805)	61,937
Profit for the year	-	-	-	-	-	42,572	42,572
Exchange difference on translation of foreign operations	-	-	14	-	-	-	14
Change in revaluation of leasehold land and buildings	-	-	-	3,815	-	-	3,815
Deferred taxation arising on revaluation of leasehold land and buildings	-	-	-	(630)	-	-	(630)
Other comprehensive income for the year	-	-	14	3,185	-	-	3,199
Total comprehensive income for the year	-	-	14	3,185	-	42,572	45,771
At 31 December 2010	1	6,601	374	23,779	391,186	(314,233)	107,708
Profit for the year	-	-	-	-	-	16,334	16,334
Exchange difference on translation of foreign operations	-	-	22	-	-	-	22
Change in revaluation of leasehold land and buildings	-	-	-	22,582	-	-	22,582
Deferred taxation arising on revaluation of leasehold land and buildings	-	-	-	(3,631)	-	-	(3,631)
Other comprehensive income for the year	-	-	22	18,951	-	-	18,973
Total comprehensive income for the year	-	-	22	18,951	-	16,334	35,307

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Properties revaluation reserve <i>HK\$'000</i>	Shareholders' transaction reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount transferred to accumulated losses upon disposal of assets classified as held for sale (<i>Note 24</i>)	-	-	-	(51,061)	-	51,061	-
Reversal of deferred taxation upon disposal of leasehold land and buildings	-	-	-	8,331	-	-	8,331
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder	-	-	-	-	(5,757)	-	(5,757)
At 31 December 2011	1	6,601	396	-	385,429	(246,838)	145,589
Profit for the year	-	-	-	-	-	13,347	13,347
Exchange difference on translation of foreign operations	-	-	209	-	-	-	209
Total comprehensive income for the year	-	-	209	-	-	13,347	13,556
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed distribution to shareholder	-	-	-	-	(4,810)	-	(4,810)
At 31 December 2012	1	6,601	605	-	380,619	(233,491)	154,335

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Operating activities			
Profit before taxation	47,696	19,334	20,347
Adjustments for:			
Depreciation of property and equipment	17,274	21,432	24,425
Allowance for inventory obsolescence	2,094	2,840	5,348
Gain on disposal of assets held for sale	–	(32,400)	–
Interest expense	4,375	3,913	4,040
Effective interest income on amounts due from fellow subsidiaries	–	(2,808)	(7,759)
Loss on disposal of property and equipment	174	13	62
Impairment loss recognised in respect of property and equipment	–	–	4,664
	71,613	12,324	51,127
Operating cashflows before movements in working capital	71,613	12,324	51,127
(Increase) decrease in rental and utility deposits	(7,104)	(1,961)	903
Increase in inventories	(7,588)	(13,315)	(2,710)
Decrease (increase) in prepayments, deposits and other receivables	579	(4,953)	(870)
Increase in accounts payable	16,807	11,637	1,166
(Decrease) increase in accrued expenses and other payables	(1,141)	10,836	(1,773)
	73,166	14,568	47,843
Net cash from operations	73,166	14,568	47,843
Hong Kong Profits Tax paid	(659)	(8,697)	(1,684)
	72,507	5,871	46,159
Net cash from operating activities	72,507	5,871	46,159
Investing activities			
Proceeds from disposal of assets held for sale	–	123,500	–
Purchase of property and equipment	(22,492)	(24,560)	(16,314)
Withdrawal of pledged bank deposits	27,094	8,500	995
Placement of pledged bank deposits	(7,591)	(30,000)	(11,500)
Repayment from (advance to) fellow subsidiaries	2,000	(61,926)	(101,000)
	(989)	15,514	(127,819)
Net cash (used in) from investing activities	(989)	15,514	(127,819)
Financing activities			
New borrowings raised	403,023	431,514	448,529
Repayment of borrowings	(409,567)	(429,743)	(431,535)
Repayment to fellow subsidiaries	(185)	–	–
Interest paid on borrowings	(4,375)	(3,913)	(4,040)
	(11,104)	(2,142)	12,954
Net cash (used in) from financing activities	(11,104)	(2,142)	12,954
Net increase (decrease) in cash and cash equivalents	60,414	19,243	(68,706)
Cash and cash equivalents at the beginning of the year	99,815	160,233	179,483
Effect of foreign exchange rate changes	4	7	92
	160,233	179,483	110,869
Cash and cash equivalents at the end of the year, representing bank balances and cash	160,233	179,483	110,869

Notes to Financial Information

1. GENERAL

CRM(HK) is an investment holding company and the principal activities of the CRM(HK) Group is sales of furniture and household goods and electrical appliance products. The ultimate holding company of CRM(HK) is Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited. The immediate holding company of CRM(HK) is the Company.

The Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of CRM(HK) and its subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the CRM(HK) Group has consistently applied HKFRSs issued by the HKICPA that are effective for its annual accounting period beginning on 1 January 2012 throughout the Relevant Periods.

The CRM(HK) Group has not early applied the following new and revised HKFRSs that have been issued by the HKICPA but are not yet effective at the date of this report:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle ¹
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ²
HKFRS 9	Financial instruments ¹
HKFRS 10	Consolidated financial statements ¹
HKFRS 11	Joint arrangements ¹
HKFRS 12	Disclosure of interests in other entities ¹
HKFRS 13	Fair value measurement ¹
Amendments to HKAS 1	Presentation of items of other comprehensive income ⁴
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ²
HKAS 19 (Revised 2011)	Employee benefits ¹
HKAS 27 (Revised 2011)	Separate financial statements ¹
HKAS 28 (Revised 2011)	Investments in associates and joint ventures ¹
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ¹

¹ Effective for accounting periods beginning on or after 1 January 2013.

² Effective for accounting periods beginning on or after 1 January 2014.

³ Effective for accounting periods beginning on or after 1 January 2015.

⁴ Effective for accounting periods beginning on or after 1 July 2012.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 “presentation of items of other comprehensive income” introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 will be adopted in the CRM(HK) Group's consolidated financial statements for the annual period beginning 1 January 2013. Upon adoption, the presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Other than as described above, the directors of CRM(HK) anticipate that the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the CRM(HK) Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for leasehold land and buildings, which are measured at fair value, as explained in the accounting policies set out below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

Basis of consolidation

The Financial Information incorporates the financial statements of CRM(HK) and the entities controlled by CRM(HK) (its subsidiaries). Control is achieved where CRM(HK) has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before the initial classification as held for sale, the non-current assets are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs to sell.

On disposal of the non-current assets, any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

Property and equipment

Property and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss, if any.

Leasehold land (classified as finance lease) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Where an item of property and equipment is reclassified as held for sale (in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations"), it is revalued immediately prior to reclassification as held for sale.

Any revaluation increase arising on revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated losses.

Depreciation is recognised so as to write off the cost or valuation of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Lease are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leases. All other leases are classified as operating leases.

The CRM(HK) Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and buildings

When a lease includes both land and building elements, the CRM(HK) Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the CRM(HK) Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Sale and leaseback transaction

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the CRM(HK) Group's foreign operations are translated into the presentation currency of the CRM(HK) Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Retirement benefit costs

Payments to state-managed benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The CRM(HK) Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the CRM(HK) Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the CRM(HK) Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

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

Impairment of assets

At the end of the reporting period, CRM(HK) Group reviews the carrying amounts of its assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, CRM(HK) Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The CRM(HK) Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposits and other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. The accounting policy on impairment loss of financial assets is set out below.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of amounts due from fellow subsidiaries where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an amount due from a fellow subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by CRM(HK) are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including accounts payable, accrued expenses and other payables, amounts due to subsidiaries and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The CRM(HK) Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2010, 2011 and 2012, no deferred tax asset was recognised in the CRM(HK) Group's consolidated statement of financial position in relation to the remaining deductible temporary differences and estimated unused tax losses of approximately HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and HK\$2,146,000, HK\$3,086,000 and HK\$4,690,000 respectively due to the unpredictability of future profit streams of the relevant subsidiaries. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, future recognition of deferred tax assets in relation to deductible temporary differences and unutilised tax losses may arise, which would be recognised in profit or loss in the period in which the future profits generated become probable.

Impairment loss recognised on inventories

Management reviews the inventories listing at the end of each reporting period, and impairs obsolete and slow-moving inventory items identified that are no longer suitable for sale. Allowance was made by reference to the latest market value for those inventories identified. Where the net realisable value is less than expected, a material write down may arise. The carrying amounts of inventories were approximately HK\$48,948,000, HK\$59,423,000 and HK\$56,785,000 as at 31 December 2010, 2011 and 2012, respectively.

5. FINANCIAL INSTRUMENTS

Capital risk management

The CRM(HK) Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the CRM(HK) Group consists of debt, which includes the borrowings disclosed in note 21 and equity attributable to owners of CRM(HK), comprising issued share capital disclosed in note 22, reserves and accumulated losses as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the CRM(HK) Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt. The CRM(HK) Group's overall strategy remains unchanged throughout the Relevant Periods.

Categories of financial instruments

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Financial assets			
Loans and receivables (including cash and cash equivalents)	213,755	314,486	359,739
Financial liabilities			
Amortised cost	288,671	312,916	329,303
CRM(HK)			
Financial assets			
Loans and receivables (including cash and cash equivalents)	1	1	1
Financial liabilities			
Amortised cost	169,202	169,194	171,500

Financial risk management objectives and policies

The CRM(HK) Group's major financial instruments include deposits and other receivables, amounts due from fellow subsidiaries, accounts payable, accrued expenses and other payables, borrowings, pledged bank deposits and bank balances and CRM(HK)'s major financial instruments include amounts due from fellow subsidiaries and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Interest rate risk*

The CRM(HK) Group is mainly exposed to fair value interest rate risk in relation to interest-free amounts due from fellow subsidiaries. The CRM(HK) Group currently does not have a fair value interest rate hedging policy.

The CRM(HK) Group is mainly exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances. The CRM(HK) Group currently does not have a cash flow interest rate hedging policy.

The management considers that CRM(HK) Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

The CRM(HK) Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offered Rate ("HIBOR") and arising from the CRM(HK) Group's variable interest-rate borrowings.

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of reporting period were outstanding for the whole year. Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation for the Relevant Periods. A 50 basis point change is used for sensitivity analysis during the Relevant Periods and represents management's assessment of the reasonably possible change in interest rates. If the interest rate of borrowings had been 50 basis point higher/lower, the CRM(HK) Group's pre-tax profit for each of the years ended 31 December 2010, 2011 and 2012 would decrease/increase by approximately HK\$565,000, HK\$554,000 and HK\$557,000 respectively. This is mainly attributable to the CRM(HK) Group's exposure to the interest rates on variable-rate borrowings.

Foreign currency risk

More than 99% of financial assets and financial liabilities of the CRM(HK) Group are denominated in the group entity's functional currency. No foreign currency sensitivity is disclosed as in the opinion of directors of CRM(HK), the foreign currency exposure is considered insignificant during the Relevant Periods.

Credit risk

The CRM(HK) Group's and CRM(HK)'s maximum exposure to credit risk which will cause a financial loss to the CRM(HK) Group and CRM(HK)'s in the event of the counterparties failure to perform their obligations as at the end of reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position.

The CRM(HK) Group and CRM(HK) have concentration of credit risk on amounts due from fellow subsidiaries. The management closely monitors the subsequent settlement of the counterparties. In this regard, the directors of CRM(HK) consider that the credit risk is significantly reduced.

Bank balances and deposits are placed in banks with good reputation and the Directors of CRM(HK) consider the credit risk is limited.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Liquidity risk

The CRM(HK) Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with all the loan covenants.

Liquidity tables

The following tables detail the CRM(HK) Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the CRM(HK) Group can be required to pay.

Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	Repayable on demand HK\$'000	Less than 1 month HK\$'000	Between 1 to 6 months HK\$'000	Between 6 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting date HK\$'000
At 31 December 2010							
Accounts payable	N/A	–	42,889	110,708	–	153,597	153,597
Accrued expenses and other payables	N/A	–	12,215	8,577	1,235	22,027	22,027
Borrowings (<i>note</i>)	5%	7,280	85,034	21,052	–	113,366	113,047
		<u>7,280</u>	<u>140,138</u>	<u>140,337</u>	<u>1,235</u>	<u>288,990</u>	<u>288,671</u>
At 31 December 2011							
Accounts payable	N/A	–	46,909	118,325	–	165,234	165,234
Accrued expenses and other payables	N/A	–	14,478	14,224	3,982	32,684	32,684
Borrowings (<i>note</i>)	5%	4,043	87,644	23,567	–	115,254	114,818
		<u>4,043</u>	<u>149,031</u>	<u>156,116</u>	<u>3,982</u>	<u>313,172</u>	<u>312,736</u>
At 31 December 2012							
Accounts payable	N/A	–	59,409	106,991	–	166,400	166,400
Accrued expenses and other payables	N/A	–	14,574	13,439	3,078	31,091	31,091
Borrowings (<i>note</i>)	5%	20,541	91,559	20,174	–	132,274	131,812
		<u>20,541</u>	<u>165,542</u>	<u>140,604</u>	<u>3,078</u>	<u>329,765</u>	<u>329,303</u>

Note: Variable-rate borrowings carry interest at Hong Kong Prime Rate and HIBOR plus a spread. The prevailing market rate at the end of the reporting date is used in the maturity analysis.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

Borrowings with a repayment on demand clause are included in the “repayable or on demand” time band in the above maturity analysis. The aggregate carrying amounts of these bank borrowings amounted to approximately HK\$7,280,000, HK\$4,043,000 and HK\$20,541,000 as at 31 December 2010, 2011 and 2012. Taking into account the CRM(HK) Group’s financial position, the Directors of CRM(HK) do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate payment. The Directors of CRM(HK) believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. The aggregate principal and interest cash outflows are as follows:

	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,468	2,030	8,396
More than one year but not exceeding two years	2,030	1,310	7,959
More than two years but not exceeding five years	2,183	874	5,313
	<u>7,681</u>	<u>4,214</u>	<u>21,668</u>

The amounts included above for variable interest rate instruments is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The directors of CRM(HK) consider the future cash outflows of CRM(HK) is equal to the carrying amount of amounts due to subsidiaries which are required to repay on demand.

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors of CRM(HK) consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

6. REVENUE

Revenue represents the invoiced value of sales of furniture and household goods and electrical appliances products, net of discounts and returns.

7. SEGMENT INFORMATION

Financial information is reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The CRM(HK) Group is regarded as a single operating and reportable segment at the Company level and represented the “Retailing Business”. Segment revenue and results are the same as the amounts presented in the consolidated statements of comprehensive income and segment assets and liabilities represented the assets and liabilities presented in the consolidated statements of financial position together with the trademark and related deferred tax liabilities arising from acquisition on CRM(HK) by the Company in previous years.

Geographical information

The CRM(HK) Group’s operations are located in Hong Kong and the PRC.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

The CRM(HK) Group's segment revenue from external customers and information about its non-current assets (excluding deferred tax assets and financial instruments) by geographical location of the assets are detailed below:

	Revenue			Non-current assets		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	1,011,241	1,068,941	1,086,397	130,827	59,586	52,850
PRC	–	3,811	9,284	553	8,368	1,481
	<u>1,011,241</u>	<u>1,072,752</u>	<u>1,095,681</u>	<u>131,380</u>	<u>67,954</u>	<u>54,331</u>

No revenue generated from customers during the Relevant Periods contributing over 10% of the total revenue as the revenue is generated from the sale to the public in the retail shops.

8. OTHER INCOME

	Year ended 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
CRM(HK) Group			
Bank interest income	117	325	420
Compensation of relocation of retail branch income	10,592	–	–
Effective interest income on amounts due from fellow subsidiaries	–	2,808	7,759
Others	3,543	2,980	4,272
	<u>14,252</u>	<u>6,113</u>	<u>12,451</u>

9. FINANCE COSTS

	Year ended 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on:			
Borrowings wholly repayable within five years	4,375	3,913	4,040
	<u>4,375</u>	<u>3,913</u>	<u>4,040</u>

10. DIVIDENDS AND EARNINGS PER SHARE

No dividend was paid or declared by CRM(HK) during the Relevant Periods.

No earnings per share information is presented as its inclusion, for purpose of this report, is not meaningful.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

11. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No Enterprise Income Tax is payable by the subsidiaries operating in the PRC since they had no assessable profit for the Relevant Periods.

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
The charge (credit) comprises:			
Hong Kong Profits Tax	6,900	3,161	7,640
Under(over)provision of Hong Kong Profits Tax in prior years	924	(161)	360
Deferred taxation credit	(2,700)	–	(1,000)
	5,124	3,000	7,000
	5,124	3,000	7,000

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

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	47,696	19,334	20,347
Taxation at Hong Kong Profits Tax rate at 16.5%	7,870	3,190	3,357
Tax effect of expenses not deductible for tax purpose	2	3,711	2,716
Tax effect of income not taxable for tax purpose	(28)	(6,392)	(1,315)
Tax effect of estimated tax losses not recognised	306	2,264	2,661
Tax effect of deductible temporary differences not recognised	–	155	267
Under(over)provision in prior years	924	(161)	360
Utilisation of tax losses/deductible temporary difference previously not recognised	(3,872)	–	(321)
Others	(78)	233	(725)
	5,124	3,000	7,000
Taxation	5,124	3,000	7,000

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

12. PROFIT FOR THE YEAR

	Year ended 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):			
Advertising and promotion expenses	20,355	28,066	18,939
Auditor's remuneration	900	859	1,051
Allowance for inventory obsolescence (included in costs of sales for retailing business)	2,094	2,840	5,348
Cost of inventories recognised as an expense (including the allowance for inventory obsolescence)	591,049	638,297	647,983
Selling and distribution expenses	33,896	37,714	37,211
Staff costs:			
Directors' fees and emoluments	2,208	2,176	2,001
Other staff salaries, allowances and commission	101,585	124,986	113,914
Contributions to retirement benefits schemes	4,078	4,739	4,661
	107,871	131,901	120,576
Operating lease rentals in respect of land and buildings:			
Minimum lease payments	142,349	153,512	168,593
Contingent rents (<i>Note</i>)	7,424	5,773	2,762
	149,773	159,285	171,355
Written-off of property and equipment (included in other gains and losses)	174	13	62
Gain on disposal of assets held for sale (included in other gains and losses)	–	(32,400)	–
Impairment loss in respect of property and equipment (included in other gains and losses)	–	–	4,664
	–	–	4,664

Note: The contingent rents are determined based on certain percentage of the gross sales of the relevant shops when the sales meet certain specified level.

13. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	200,000	200,000	200,000
	200,000	200,000	200,000

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

14. PROPERTY AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
CRM(HK) Group				
COST OR VALUATION				
At 1 January 2010	68,000	102,220	111,022	281,242
Additions	–	19,508	2,984	22,492
Written-off	–	(5,729)	(2,978)	(8,707)
Exchange adjustments	–	–	23	23
Revaluation	2,000	–	–	2,000
	<u>70,000</u>	<u>115,999</u>	<u>111,051</u>	<u>297,050</u>
At 31 December 2010	70,000	115,999	111,051	297,050
Additions	–	21,176	3,384	24,560
Written-off	–	(6,455)	(3,244)	(9,699)
Revaluation	21,100	–	–	21,100
Exchange adjustments	–	–	38	38
Reclassified as assets classified as held for sale	(91,100)	–	–	(91,100)
	<u>–</u>	<u>130,720</u>	<u>111,229</u>	<u>241,949</u>
At 31 December 2011	–	130,720	111,229	241,949
Additions	–	14,557	1,757	16,314
Written-off	–	(11,122)	(6,601)	(17,723)
Exchange adjustments	–	117	51	168
	<u>–</u>	<u>134,272</u>	<u>106,436</u>	<u>240,708</u>
At 31 December 2012	–	134,272	106,436	240,708
Consisting:				
At cost	–	115,999	111,051	227,050
At valuation	70,000	–	–	70,000
	<u>70,000</u>	<u>115,999</u>	<u>111,051</u>	<u>297,050</u>
At 31 December 2010	70,000	115,999	111,051	297,050
	<u>–</u>	<u>130,720</u>	<u>111,229</u>	<u>241,949</u>
At cost at 31 December 2011	–	130,720	111,229	241,949
	<u>–</u>	<u>134,272</u>	<u>106,436</u>	<u>240,708</u>
At cost at 31 December 2012	–	134,272	106,436	240,708

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2010	–	77,416	106,275	183,691
Provided for the year	1,815	12,962	2,497	17,274
Eliminated on written-off	–	(5,722)	(2,811)	(8,533)
Exchange adjustments	–	–	12	12
Revaluation	(1,815)	–	–	(1,815)
At 31 December 2010	–	84,656	105,973	190,629
Provided for the year	1,482	17,516	2,434	21,432
Eliminated on written-off	–	(6,456)	(3,230)	(9,686)
Exchange adjustments	–	–	22	22
Revaluation	(1,482)	–	–	(1,482)
At 31 December 2011	–	95,716	105,199	200,915
Provided for the year	–	21,839	2,586	24,425
Eliminated on written-off	–	(11,122)	(6,539)	(17,661)
Exchange adjustments	–	19	32	51
Impairment loss recognised in profit or loss	–	4,343	321	4,664
At 31 December 2012	–	110,795	101,599	212,394
CARRYING VALUES				
At 31 December 2010	70,000	31,343	5,078	106,421
At 31 December 2011	–	35,004	6,030	41,034
At 31 December 2012	–	23,477	4,837	28,314

The above property and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	The shorter of the lease terms and 20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 7 years

The CRM(HK) Group's leasehold land and buildings are located in Hong Kong under medium-term lease.

The fair value of the CRM(HK) Group's leasehold land and building as at 31 December 2010 was arrived at a valuation carried out by B.I. Appraisal Limited, an independent qualified professional valuer not connected with the CRM(HK) Group. The valuation for 2010 was arrived by reference to market evidence of transaction prices of similar properties.

During the year ended 31 December 2012, the CRM(HK) Group wrote off the leasehold improvements and furniture and fixtures with carrying amount of HK\$4,664,000 related to the expected closure of a retail shop in PRC.

If the leasehold land and buildings had not been revalued, they would have been included in the Financial Information at historical cost less accumulated depreciation is HK\$39,834,000 as at 31 December 2010.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

15. DEFERRED TAXATION

The following is the analysis of deferred tax (assets) liabilities for financial reporting purpose:

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Deferred tax assets	(4,700)	(4,700)	(5,700)
Deferred tax liabilities	4,700	–	–
	–	(4,700)	(5,700)
	–	(4,700)	(5,700)

The following are the deferred tax (assets) liabilities recognised and the movements thereon during the Relevant Periods:

	Revaluation of leasehold land and buildings	Accelerated accounting depreciation
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2010	4,070	(2,000)
Credit to profit or loss for the year	–	(2,700)
Charge to other comprehensive income for the year	630	–
	4,700	(4,700)
At 31 December 2010	4,700	(4,700)
Charge to other comprehensive income for the year	3,631	–
Reversal to equity upon disposal of leasehold land and buildings	(8,331)	–
	–	(4,700)
At 31 December 2011	–	(4,700)
Credit to profit or loss for the year	–	(1,000)
	–	(5,700)
At 31 December 2012	–	(5,700)

The CRM(HK) Group had estimated unused tax losses of HK\$27,170,000, HK\$40,891,000 and HK\$55,073,000 and deductible temporary difference in respect of accelerated accounting depreciation of HK\$30,631,000, HK\$31,571,000 and HK\$39,235,000 as at 31 December 2010, 2011 and 2012 respectively available to offset against future profits. As at 31 December 2010, 2011 and 2012, CRM(HK) Group recognised deductible temporary differences of HK\$28,485,000, HK\$28,485,000 and HK\$34,545,000 respectively as deferred tax assets. No deferred tax asset has been recognised in respect of the estimated unused tax losses and the remaining deductible temporary differences due to the unpredictability of future profit streams. Included in unused tax losses was nil, HK\$10,431,000 and HK\$24,260,000 that will expire by nil, 2016 and 2017, respectively. Other losses may be carried forward indefinitely.

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16. INVENTORIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Finished goods held for sale	48,948	59,423	56,785
	<u>48,948</u>	<u>59,423</u>	<u>56,785</u>

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Rental and utilities deposits	14,788	17,731	16,998
Prepayments	1,075	1,362	1,748
Others	2,362	4,085	5,302
	<u>18,225</u>	<u>23,178</u>	<u>24,048</u>
Total	<u>18,225</u>	<u>23,178</u>	<u>24,048</u>

18. AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES

CRM(HK) Group

Amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed repayment term. The amounts due from fellow subsidiaries classified as current are expected to be recovered within twelve months from the end of the respective reporting period while the amounts due from fellow subsidiaries classified as non-current are expected to be recovered after twelve months from the end of respective reporting period. They are measured at fair value at initial recognition at an effective interest rate of 5% per annum.

CRM(HK)

Amounts due to subsidiaries are unsecured, interest-free and are repayable on demand.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The CRM(HK) Group's bank deposits of HK\$41,395,000, HK\$62,895,000 and HK\$73,400,000 as at 31 December 2010, 2011 and 2012 respectively were pledged to secure the short-term general banking facilities granted by banks.

Bank balances and cash comprise cash held by the CRM(HK) Group and short-term bank deposits at market interest rates of 1.05%, 0.09% and 0.06% as at 31 December 2010, 2011 and 2012 respectively with an original maturity of three months or less.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

20. OTHER FINANCIAL LIABILITIES

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Accounts payable	153,597	165,234	166,400
Salaries payable	3,914	4,517	5,070
Other accrued expenses	10,216	15,450	16,052
Other payables	7,897	12,897	9,969
Total accrued expenses and other payables	<u>22,027</u>	<u>32,864</u>	<u>31,091</u>

Accounts payable principally comprise amounts outstanding for trade purchases costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	66,556	77,531	73,623
31 - 60 days	37,518	39,679	54,195
61 - 90 days	14,419	35,458	22,035
Over 90 days	35,104	12,566	16,547
	<u>153,597</u>	<u>165,234</u>	<u>166,400</u>

21. BORROWINGS

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Secured bank borrowings	7,280	4,043	20,541
Trust receipt loans	105,767	110,775	111,271
	<u>113,047</u>	<u>114,818</u>	<u>131,812</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

	As at 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
CRM(HK) Group			
Carrying amount repayable based on scheduled terms:			
Within one year	105,767	110,775	111,271
Carrying amount of borrowings (shown under current liabilities) contain a repayment on demand clause:			
– within one year	3,237	1,925	7,723
– in the second year	1,925	1,256	7,592
– in the third to fifth years	2,118	862	5,226
Amount due within one year shown under current liabilities	<u>113,047</u>	<u>114,818</u>	<u>131,812</u>

At 31 December 2010, 2011 and 2012, bank borrowings of the CRM(HK) Group were secured by:

- (a) a corporate guarantee from the immediate holding company of CRM(HK) during the Relevant Periods;
- (b) pledged bank deposits as disclosed in note 19 during the Relevant Periods; and
- (c) all the leasehold land and buildings as disclosed in note 14 during the year ended 31 December 2010 .

The CRM(HK) Group's borrowings as at 31 December 2010, 2011 and 2012 carried variable interest at Hong Kong Prime Rate and HIBOR plus a spread.

The weighted average effective interest rates per annum (which are also equal to contracted interest rates) of the variable-rate bank borrowings are as follows:

	As at 31 December		
	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
CRM(HK) Group	<u>5%</u>	<u>5%</u>	<u>5%</u>

22. SHARE CAPITAL

	Number of shares	Amount	
		<i>US\$</i>	<i>HK\$'000</i>
Ordinary shares of US\$1 each			
Authorised:			
At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012	<u>50,000</u>	<u>50,000</u>	<u>390</u>
Issued and fully paid:			
At 1 January 2010, 31 December 2010, 31 December 2011 and 31 December 2012	<u>100</u>	<u>100</u>	<u>1</u>

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

23. RESERVES

CRM(HK)

	Other reserve HK\$'000	Shareholders' transaction reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2010	6,601	391,186	(363,481)	34,306
Loss and total comprehensive expense for the year	–	–	(8)	(8)
At 31 December 2010	6,601	391,186	(363,489)	34,298
Profit and total comprehensive income for the year	–	–	5,765	5,765
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder	–	(5,757)	–	(5,757)
At 31 December 2011	6,601	391,186	(363,481)	34,306
Profit and total comprehensive income for the year	–	–	4,964	4,964
Imputed interest on interest-free loan to fellow subsidiaries recognised as deemed contribution to shareholder	–	(4,810)	–	(4,810)
At 31 December 2012	<u>6,601</u>	<u>391,186</u>	<u>(363,327)</u>	<u>34,460</u>

CRM(HK) Group

Other reserve is arisen from group reorganisation on 30 November 2005.

Shareholders' transaction reserve is arisen from the waiver of the current accounts due to its former immediate holding company of CRM(HK) and the imputed interest recognised on interest-free loans to fellow subsidiaries.

Details of the reserve movement of CRM(HK) Group are disclosed in the consolidated statement of equity.

APPENDIX II ACCOUNTANTS' REPORT OF THE PRIVATECO GROUP

24. ASSETS CLASSIFIED AS HELD FOR SALE

Pursuant to a board resolution passed on 20 June 2011, the directors determined to dispose the leasehold land and buildings in Hong Kong (the "Property") and considered that the disposal of the Property is highly probable, thus the Property is reclassified to assets classified as held for sale in accordance with HKFRS 5. The fair value of the Property at the date of reclassification amounting to HK\$91,100,000 is determined based on an offer price by an independent third party and valuation report carried out by Knight Frank Petty Limited.

Movement on assets classified as held for sale are as follows:

	2011 <i>HK\$'000</i>
At 1 January	–
Reclassified from property and equipment (<i>note 14</i>)	91,100
Disposal	(91,100)
	–
At 31 December	–

In October 2011, the Property has been disposed of to another independent third party with a consideration of HK\$123,500,000 and resulting in a gain of approximately HK\$32,400,000.

Upon completion of the disposal, the CRM(HK) Group and the third party entered into leaseback arrangement at a monthly rent approximate to the market rent for 24 months. This sale and leaseback transaction results in an operating lease and the lease commitment is included in note 25.

25. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the CRM(HK) Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CRM(HK) Group			
Within one year	106,457	137,387	125,127
In the second to fifth year inclusive	99,817	169,369	136,761
	206,274	306,756	261,888

Operating lease payments represent rentals payable by the CRM(HK) Group for office premises and retail shops. Leases are mainly negotiated for lease term of two to three years and rentals are fixed for lease term of two to three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the CRM(HK) Group has to pay a rental based on certain percent of the gross sales of the relevant shop when the sales meets certain specified level.

26. RETIREMENT BENEFITS SCHEMES

The CRM(HK) Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the CRM(HK) Group, in funds under the control of trustees. Both the CRM(HK) Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from June 2012, the cap of contribution amount has been changed from HK\$1,000 to HK\$1,250 per employee per month.

The CRM(HK) Group operates various benefits schemes for its full-time employees in the PRC in accordance with the relevant PRC regulations and rules, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the CRM(HK) Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

27. RELATED PARTY TRANSACTIONS**(i) Related party balances**

The CRM(HK) Group's balances with fellow subsidiaries and CRM(HK)'s balances with fellow subsidiaries and subsidiaries are set out in note 18.

(ii) Compensation of key management personnel

The remuneration of directors which is disclosed in note 12 is determined by the remuneration committee of CASH Financial Services Group Limited having referred to the performance of individuals and market trends.

(B) EVENTS FROM THE REPORTING PERIOD

Subsequent to 31 December 2012, an interim dividend in respect of the year ending 31 December 2013 of approximately HK\$111.7 million has been declared by the directors of CRM(HK) and paid on 31 March 2013.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the CRM(HK) Group, CRM(HK) or any of the subsidiaries have been prepared in respect of any period subsequent to 31 December 2012.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**Basis of preparation of the unaudited pro forma financial information of the Remaining Group**

The unaudited pro forma financial information of the Remaining Group is prepared in accordance with Listing Rules 4.29 to illustrate the effect of the Distribution In Specie.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2012 as set out in the Company's annual report for the year ended 31 December 2012, after making pro forma adjustments relating to the Distribution In Specie, as if the Distribution In Specie had been completed on 31 December 2012.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 as extracted from the annual report of the Company after making pro forma adjustments relating to the Distribution In Specie, as if the Distribution In Specie had been completed on 1 January 2012.

The unaudited pro forma financial information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transaction and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the results, cash flows, or financial position of the Group upon completion of the Distribution In Specie or for any future period or at any future date.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Unaudited pro forma consolidated statement of financial position of the Remaining Group

	The Group					Pro forma adjusted total
	as at					
	31 December					
	2012		Pro forma adjustments			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	
Non-current assets						
Property and equipment	81,315	(28,314)				53,001
Investment properties	68,832					68,832
Goodwill	2,661					2,661
Intangible assets	321,059			(311,007)		10,052
Interest in an associate	37,020					37,020
Rental and utilities deposits	34,091	(26,017)				8,074
Other assets	152,939					152,939
Loan to an associate	10,296					10,296
Deferred tax assets	6,700	(5,700)				1,000
	<u>714,913</u>					<u>343,875</u>
Current assets						
Inventories – finished goods						
held for sale	56,785	(56,785)				–
Accounts receivable	920,032					920,032
Loans receivable	61,496					61,496
Prepayments, deposits						
and other receivables	38,351	(24,048)				14,303
Tax recoverable	3,536					3,536
Investments held for trading	123,206					123,206
Amounts due from fellow						
subsidiaries	–	162,927	(162,927)			–
Bank deposits subject to						
conditions	90,555	(73,400)				17,155
Bank balances – trust and						
segregated accounts	782,293					782,293
Bank balances (general						
accounts) and cash	291,250	(110,869)				180,381
	<u>2,367,504</u>					<u>2,102,402</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

**Unaudited pro forma consolidated statement of financial position of the Remaining
Group (continued)**

	The Group as at 31 December 2012		Pro forma adjustments			Pro forma adjusted total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>	<i>Note 3</i>	<i>Note 4</i>	<i>Note 5</i>	
Current liabilities						
Accounts payable	1,590,760	(166,400)				1,424,360
Accrued liabilities and other payables	89,427	(31,091)				58,336
Taxation payable	14,031	(4,422)				9,609
Amounts due to fellow subsidiaries	–		162,927			162,927
Obligations under finance leases – due within one year	263					263
Bank borrowings – due within one year	356,914	(131,812)				225,102
Loan from a non-controlling shareholder of a subsidiary	27,437					27,437
	<u>2,078,832</u>					<u>1,908,034</u>
Net current assets	<u>288,672</u>					<u>194,368</u>
Total assets less current liabilities	<u>1,003,585</u>					<u>538,243</u>
Non-current liabilities						
Deferred tax liabilities	55,841			(51,316)		4,525
Bank borrowings – due after one year	26,331					26,331
	<u>82,172</u>					<u>30,856</u>
Net assets	<u>921,413</u>					<u>507,387</u>
Capital and reserves						
Share capital	77,558					77,558
Reserves	809,567				(414,026)	395,541
Equity attributable to owners of the Company	887,125					473,099
Non-controlling interest	34,288					34,288
Total equity	<u>921,413</u>					<u>507,387</u>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

**Unaudited pro forma consolidated statement of comprehensive income of the
Remaining Group**

	The Group for year ended 31 December 2012	Pro forma adjustments		Pro forma adjusted total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 6</i>	<i>Note 7</i>	
Revenue	1,281,129	(1,095,681)		185,448
Other income	10,563	(12,451)	7,759	5,871
Other gains and losses	87,138	4,726		91,864
Cost of sales for retailing business	(647,983)	647,983		-
Salaries, commission and related benefits	(279,543)	120,576		(158,967)
Depreciation	(56,629)	24,425		(32,204)
Finance costs	(10,277)	4,040		(6,237)
Other operating and administrative expenses	(418,773)	286,035		(132,738)
Change in fair value of investment properties	(3,068)			(3,068)
Share of profit of associate	14,045			14,045
	<hr/>			<hr/>
Loss before taxation	(23,398)			(35,986)
Taxation	(10,126)	7,000		(3,126)
	<hr/>			<hr/>
Loss for the year	(33,524)			(39,112)
	<hr/>			<hr/>
Other comprehensive income (expense)				
Exchange differences arising on translation of foreign operations	80	(209)		(129)
	<hr/>			<hr/>
Total comprehensive income (expense) for the year	(33,444)			(39,241)
	<hr/> <hr/>			<hr/> <hr/>
Loss for the year attributable to:				
Owners of the Company	(38,699)	(13,347)	7,759	(44,287)
Non-controlling interests	5,175			5,175
	<hr/>			<hr/>
	(33,524)			(39,112)
	<hr/> <hr/>			<hr/> <hr/>
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company	(38,619)	(13,556)	7,759	(44,416)
Non-controlling interests	5,175			5,175
	<hr/>			<hr/>
	(33,444)			(39,241)
	<hr/> <hr/>			<hr/> <hr/>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for year ended 31 December 2012	Pro forma adjustments		Pro forma adjusted total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 6</i>	<i>Note 7</i>	
OPERATING ACTIVITIES				
Loss before taxation	(23,398)	(20,347)	7,759	(35,986)
Adjustments for:				
Write-down on inventories	5,348	(5,348)		–
Depreciation of property and equipment	56,629	(24,425)		32,204
Interest expense	10,277	(4,040)		6,237
Change in fair value of investment properties	3,068			3,068
Impairment loss on property and equipment	4,664	(4,664)		–
Loss on disposal of property and equipment	621	(62)		559
Allowance on bad and doubtful loans receivables	9,700			9,700
Share-based compensation	562			562
Share of profit of an associate	(14,045)			(14,045)
Effective interest income on amounts due from fellow subsidiaries	–	7,759	(7,759)	–
	–			–
Operating cash flows before movements in working capital	53,426			2,299
Increase in rental and utilities deposits	(127)	(903)		(1,030)
Increase in inventories	(2,710)	2,710		–
Increase in accounts receivable	(105,746)			(105,746)
Increase in loans receivable	(26,704)			(26,704)
Decrease in prepayments, deposits and other receivables	1,799	870		2,669
Increase in investments held for trading	(96,245)			(96,245)
Increase in bank balances – trust and segregated accounts	(87,768)			(87,768)
Increase in accounts payable	204,620	(1,166)		203,454
Decrease in accrued liabilities and other payables	(56,063)	1,773		(54,290)
	–			–
Cash used in operations	(115,518)			(163,361)
Income taxes refunded	1,651			1,651
Income taxes paid	(4,852)	1,684		(3,168)
	–			–
NET CASH USED IN OPERATING ACTIVITIES	(118,719)			(164,878)

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

**Unaudited pro forma consolidated statement of cash flows of the Remaining Group
(continued)**

	The Group for year ended 31 December 2012	Pro forma adjustments		Pro forma adjusted total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 6</i>	<i>Note 7</i>	
INVESTING ACTIVITIES				
Increase in bank deposits subject to conditions	(10,515)	10,505		(10)
Placement of statutory and other deposits	(29,543)			(29,543)
Purchases of property and equipment	(28,816)	16,314		(12,502)
Proceeds on disposal of investment properties	8,149			8,149
Advance from fellow subsidiaries	–	101,000		101,000
Distribution of subsidiaries	–	(179,483)		(179,483)
	<hr/>			<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(60,725)			(112,389)
	<hr/>			<hr/>
FINANCING ACTIVITIES				
Increase in bank borrowings	75,648	(16,994)		58,654
Payment on repurchase of shares	(2,549)			(2,549)
Dividends paid to non-controlling interests	(4,250)			(4,250)
Interest paid on bank borrowings	(10,259)	4,040		(6,219)
Interest paid on obligations under finance leases	(18)			(18)
Repayment of obligations under finance leases	(289)			(289)
	<hr/>			<hr/>
NET CASH FROM FINANCING ACTIVITIES	58,283			45,329
	<hr/>			<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(121,161)			(231,938)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	414,079			414,079
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE	(1,668)	(92)		(1,760)
	<hr/>			<hr/>
CASH AND CASH EQUIVALENT AT END OF THE YEAR	291,250			180,381
	<hr/> <hr/>			<hr/> <hr/>

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Notes:

1. Figures extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2012.
2. The adjustment reflects the exclusion of assets and liabilities of the Privateco Group as at 31 December 2012, assuming the Distribution In Specie had been taken place on 31 December 2012. The assets and liabilities of the Privateco Group are extracted from the accountants' report of Privateco Group included in Appendix II to the Circular.
3. The adjustment reflects the reversal of the intra-group balances elimination between the Privateco Group and the Company.
4. The adjustment reflects the exclusion of trademark included in the intangible assets of HK\$311,007,000 and related deferred tax liabilities of HK\$51,316,000 as at 31 December 2012, that are arisen from the acquisition of the Privateco Group by the Company in previous years. The amounts are extracted from the audited consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2012.
5. The adjustment reflects the distribution of the Privateco Group to CASH, assuming the Distribution In Specie had been taken place on 31 December 2012.

Calculation of net assets of the Privateco Group being distributed

	<i>HK\$'000</i>
Net assets of the Privateco Group as at 31 December 2012 (<i>note a</i>)	154,335
Intangible assets being distributed by the Company (<i>note b</i>)	311,007
Less: deferred tax liabilities related to the intangible assets (<i>note b</i>)	<u>(51,316)</u>
 Total	 <u><u>414,026</u></u>

Notes:

- (a) The amount represented the net assets of the Privateco Group as at 31 December 2012 as extracted from the accountants' report of the Privateco Group included in Appendix II to the Circular.
- (b) The amount represented the items distributed in note 4 above.
6. The adjustment reflects the exclusion of the results and cash flows of the Privateco Group for the year ended 31 December 2012, which are extracted from the accountants' report of the Privateco Group for the year ended 31 December 2012 and the cash outflows of bank balances and cash of the Privateco Group at 1 January 2012 upon distribution, assuming that the Distribution In Specie had been taken place on 1 January 2012.
7. The adjustment reflects the elimination of effective interest income on amounts due from fellow subsidiaries of HK\$7,759,000, which is extracted from the accountants' report of the Privateco Group for the year ended 31 December 2012.
8. The adjustments to the consolidated statement of comprehensive income and consolidated statement of cash flows are not expected to have a continuing effect on the Remaining Group.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

**(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP**

*The following is the full text of a report received from the reporting Accountants, Deloitte Touche
Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the Circular:*

Deloitte.
德勤

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF CASH FINANCIAL SERVICES GROUP LIMITED**

We report on the unaudited pro forma financial information of CASH Financial Services Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Distribution In Specie of shares in the Privateco (all defined in the Circular) might have affected the financial information presented, for inclusion in Section A of Appendix III to the circular dated 31 May 2013 (“Circular”). The basis of preparation of the unaudited pro forma financial information is set out on page 83 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION
ON THE REMAINING GROUP**

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date or the results and cash flows of the Group for the year ended 31 December 2012 or any further period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 May 2013

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE PRIVATECO AND THE BVI COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE PRIVATECO AND THE BRITISH VIRGIN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum of Association (the “Memorandum”) and Articles of Association (the “Articles”) to be adopted by the Privateco and of certain aspects of British Virgin Islands company law.

The Privateco was incorporated in the British Virgin Islands on the 11 May 2005 as an International Business Company, governed by the International Business Companies Act (Cap 291) (the “IBC Act”), and was automatically re-registered as a BVI Business Company with limited liability on 1 January 2007 under the BVI Business Companies Act, 2004, as amended (the “BVI Companies Act”). The Privateco will give notice to disapply Part IV of Schedule 2 of the BVI Companies Act. The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other British Virgin Islands legislation, the Privateco has, irrespective of corporate benefit:
 - a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - b. for the purposes of paragraph (a), full rights, powers and privileges.
- (b) The Memorandum states, inter alia, that the liability of members of the Privateco is limited to the amount, if any, for the time being unpaid on the shares of the Privateco respectively held by them.
- (c) The Privateco is authorized by the Memorandum to issue a maximum of 4,000,000,000 shares of HK\$0.01 each.

2. ARTICLES OF ASSOCIATION

(a) DIRECTORS

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

Subject to the provisions of the BVI Companies Act and the Articles and 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 Privateco may by an amendment to the Memorandum determine. Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of the Privateco or the holder thereof, they are liable to be redeemed.

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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 Privateco on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the rules of the Designated Stock Exchange, and any direction that may be given by the Privateco in general meeting 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 Privateco 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 where the Privateco has shares that carry a par value, no shares shall be issued at a discount.

Neither the Privateco 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 Privateco or any subsidiary

The directors may sell, transfer, secure, exchange or otherwise dispose of the assets of the Privateco without authorisation by the members. The directors may also exercise all powers and do all acts and things which may be exercised or done or approved by the Privateco and which are not required by the Articles or the BVI Companies Act to be exercised or done by the Privateco in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, 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 Privateco in general meeting.

(iv) Loans and provision of security for loans to directors

There are provisions in the Articles prohibiting the making of loans to directors which are comparable to the restrictions imposed by the Hong Kong Companies Ordinance.

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(v) *Disclosure of interests in contracts with the Privateco or any of its subsidiaries*

A director may hold any other office or place of profit with the Privateco (except that of the auditors of the Privateco) in conjunction with his office of director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Privateco or any other company in which the Privateco may be interested, and shall not be liable to account to the Privateco 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 Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Privateco to be exercised in such manner in all respects as it thinks 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.

Subject to the BVI Companies Act and the Articles, no director or proposed or intended director shall be disqualified by his office from contracting with the Privateco, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract 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 Privateco 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. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Privateco shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he is to his knowledge materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the director in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Privateco or any of its subsidiaries;

- (bb) any contract, transaction, arrangement or proposal for the giving by the Privateco of any security or indemnity to a third party in respect of a debt or obligation of the Privateco or any of its subsidiaries for which the director has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Privateco or any other company which the Privateco may promote or be interested in for subscription or purchase, where the director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract, transaction, arrangement or proposal in which the director is interested in the same manner as other holders of shares or debentures or other securities of the Privateco or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Privateco; or
- (ee) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to directors and employees of the Privateco or of any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the directors shall from time to time be determined by the Privateco in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

The directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or 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 Privateco or otherwise in connection with the discharge of their duties as directors.

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Any director who, by request, goes or resides abroad for any purpose of the Privateco 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 as a director. An executive 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 Privateco or companies with which it is associated in business) in establishing and making contributions out of the Privateco'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 ex-director who may hold or have held any executive office or any office of profit with the Privateco or any of its subsidiaries) and ex-employees of the Privateco and their dependents 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 ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents 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.

(vii) 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 (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re election or appointment and so that as between persons who became or were last re elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation. There are no provisions relating to retirement of directors upon reaching any age limit.

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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 as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Privateco and shall then be eligible for re-election. Neither a director nor an alternate director is required to hold any shares in the Privateco by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Privateco and such director (but without prejudice to any claim for damages under any such agreement) provided that notice of such general meeting must state that the purpose of the general meeting is, or the purposes of the general meeting include, the removal of a director. Unless otherwise determined by the Privateco in general meeting, the number of directors shall not be less than two. There is no maximum number of directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Privateco at the registered office of the Privateco for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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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 Privateco for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. 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.

(viii) Borrowing powers

The board may exercise all the powers of the Privateco 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 Privateco and, subject to the BVI Companies Act, to issue debentures, bonds and other securities of the Privateco, whether outright or as collateral security for any debt, liability or obligation of the Privateco or of any third party.

Note: The rights of the directors to exercise these powers may only be varied by amending the Articles.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of directors and Officers

The Articles provide that the Privateco will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

(b) ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Articles may be rescinded, altered or amended by the Privateco in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Privateco. Under BVI law, an amendment to the Memorandum or Articles has effect from the date that the notice of amendment or restated memorandum or articles of association incorporating the amendment is registered by the BVI Registrar of Corporate Affairs.

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(c) ALTERATION OF CAPITAL

Subject to the Memorandum and these Articles, the Privateco may by ordinary resolution:

- (i) combine its shares, including issued shares, into a smaller number of shares; or
- (ii) sub divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and the Privateco shall not divide its shares if it would cause the maximum number of shares that the Privateco is authorized to issue to be exceeded.

The Privateco may by an amendment to the Memorandum divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions as may be determined by the Privateco provided always that where the Privateco issues shares which do not carry voting rights, the words “non voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

(d) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Subject to the BVI 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 in nominal value or of the total number 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 Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value or of the total number of the issued shares of that class and at any adjourned meeting two holders present in person 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.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) SPECIAL RESOLUTION-MAJORITY REQUIRED

Pursuant to the Articles, a special resolution of the Privateco 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 twenty-one (21) clear days' notice and not less than ten (10) clear business 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 ninety-five (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 twenty-one (21) clear days' notice and not less than ten (10) clear business days' notice has been given.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Privateco as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) VOTING RIGHTS

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member 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 instalments is treated for the foregoing purposes as paid up on the share. 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 a meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

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If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Privateco or at any meeting of any class of members 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 representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Privateco held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Privateco has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Privateco or restricted to voting only for or only against any particular resolution of the Privateco, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

(g) REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

An annual general meeting of the Privateco shall be held in each year other than the year of the Privateco's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) at such time 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 Privateco, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Privateco and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of the Privateco's affairs and to explain its transactions.

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

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A printed copy of the directors' report, accompanied by the balance sheet and profit and loss account, 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 Privateco 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 twenty one (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 Privateco at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address the Privateco is not aware of or to more than one of the joint holders of any shares or debentures..

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Privateco in general meeting or in such manner as the members may determine.

The financial statements of the Privateco 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 the British Virgin Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

(i) NOTICES OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary 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 notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Privateco other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Privateco, and also to the auditors for the time being of the Privateco.

Notwithstanding that a meeting of the Privateco is called by shorter notice than that mentioned above, if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Privateco entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value or of the total number of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;
- (b) consideration and adoption of the accounts and balance sheet and the reports of the directors and Auditors and other documents required to be annexed to the balance sheet;
- (c) the election of directors whether by rotation or otherwise in the place of those retiring;
- (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
- (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the directors;
- (f) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Privateco representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and
- (g) the granting of any mandate or authority to the directors to repurchase securities of the Privateco.

(j) TRANSFER OF SHARES

Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the board and 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 which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

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Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of the Privateco shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of the Privateco or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Privateco on which the Privateco has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer 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) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, 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 thirty (30) days in any year.

(k) POWER FOR THE PRIVATECO TO PURCHASE ITS OWN SHARES

Subject to the BVI Companies Act, the Memorandum and the Articles, the Privateco shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Privateco purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

(l) POWER FOR ANY SUBSIDIARY OF THE PRIVATECO TO OWN SHARES IN THE PRIVATECO AND FINANCIAL ASSISTANCE TO PURCHASE SHARES OF THE PRIVATECO

There are no provisions in the Articles relating to ownership of shares in the Privateco by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Privateco may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Privateco.

(m) DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Subject to the BVI Companies Act, the Privateco in general meeting may from time to time 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 board may recommend and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of the Privateco's assets exceeds its liabilities and the Privateco is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the share capital of the Privateco, 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 Privateco may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Privateco 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.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Privateco in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Privateco. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

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Whenever the board 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 Privateco until claimed and the Privateco 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 Privateco.

No dividend or other monies payable by the Privateco on or in respect of any share shall bear interest against the Privateco.

(n) PROXIES

Any member entitled to attend and vote at a meeting of the Privateco 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 Privateco or at a class meeting. A proxy need not be a member. 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) FORFEITURE OF SHARES

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued and the requirements of the notice have not been complied with, the directors by Resolution of directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

The board may accept the surrender of any share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

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A declaration by a director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Privateco if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, reallocated or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

(p) INSPECTION OF SHARE REGISTER

Unless closed in accordance with the Articles, the Register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office of the Privateco or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board at the office where the branch register of members of the Privateco is kept. The register of members of the Privateco including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

(q) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. 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) UNTRACEABLE MEMBERS

The Privateco may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Privateco may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. The Privateco shall have the power to sell, in such manner as the board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, the Privateco has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) the Privateco, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

(s) RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Privateco under BVI law, as summarized in paragraph 3(d) of this Appendix.

(t) PROCEDURES ON LIQUIDATION

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

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Privateco shall be wound up and the assets available for distribution amongst the members of the Privateco shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Privateco shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

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If the Privateco 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 BVI Companies Act divide among the members in specie or kind the whole or any part of the assets of the Privateco 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 properties 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.

3. BRITISH VIRGIN ISLANDS COMPANY LAW

The Privateco is incorporated in the British Virgin Islands subject to the BVI Companies Act and, therefore, operates subject to British Virgin Islands law. Set out below is a summary of certain provisions of British Virgin Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of British Virgin Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share Capital

Under the BVI Companies Act, there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;
- (ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii) the right to an equal share in the distribution of the surplus assets of the company.

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Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, a company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.

Subject to the company's memorandum and articles of association, a company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum and articles of association. Subject to its memorandum and articles, a company may issue a class of shares in one or more series.

(b) Financial assistance to purchase shares of a company or its holding company

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, *irrespective of corporate benefit* full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including, among other things, the giving of financial assistance to any person in connection with the acquisition of its own shares.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may purchase, redeem or otherwise acquire its own shares in accordance with either the procedures set out in Sections 60, 61 and 62 of the BVI Companies Act or such other provisions for the purchase, redemption or acquisition of its own shares as may be specified in its memorandum and articles. Sections 60, 61 and 62 do not apply to a company to the extent that they are negated, modified or inconsistent with provisions for the purchase, redemption or acquisition of its own shares specified in the company's memorandum and articles. The Articles expressly provide that such provisions shall not apply to the Company.

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Subject to its memorandum or articles of association, a company may purchase, redeem or otherwise acquire its own shares. The acquired shares may be cancelled or held as treasury shares. However, no such acquisition will be permitted unless the directors determine that immediately after the acquisition (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due. A determination by the directors is, however, not required:

- (a) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;
- (b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or
- (c) pursuant to an order of the BVI court.

A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares; (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share. Treasury shares may be transferred by the company and the provisions of the BVI Companies Act, the memorandum and articles that apply to the issue of shares apply to the transfer of treasury shares.

Under BVI law, a subsidiary may hold shares in its holding company.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

(d) Protection of Minorities

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i) **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
 - (aa) bring proceedings in the name and on behalf of that company; or
 - (bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
 - (aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
 - (bb) requiring the company or any other person to pay compensation to the member;
 - (cc) regulating the future conduct of the company's affairs;
 - (dd) amending the memorandum or articles of association of the company;
 - (ee) appointing a receiver of the company;
 - (ff) appointing a liquidator of the company under section 159(1) of the Insolvency Act;
 - (gg) directing the rectification of the records of the company; and

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- (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.

- (iv) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
 - (aa) as to the control and conduct of the proceedings;
 - (bb) as to the costs of the proceedings; and
 - (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;
- (ii) a consolidation;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
 - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;
 - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or
 - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and
- (v) an arrangement, if permitted by the court.

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Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

(e) Dividends and distributions

A company may declare and make a distribution (which term includes a dividend), provided that the directors are satisfied that immediately after the payment of the dividend, (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

(f) Management

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in, the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members. The Articles expressly provide that notwithstanding the foregoing requirement of the BVI Companies Act, the directors may dispose assets of the Company without the disposition being authorised by the members at a general meeting.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Amendment of Constitutional Document

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;

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- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and
- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company

Where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (i) a notice of amendment in the approved form; or
- (ii) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

(h) Accounting requirements

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the BVI.

(j) Loans to and transactions with directors

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

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A director of a company is not required to disclose any interest if:

- (i) the transaction or proposed transaction is between the director and the company; and
- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

(k) Taxation in the BVI

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(l) Stamp duty on transfer

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

(m) Inspection of corporate records

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, *inter alia*, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

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A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors shall, as soon as reasonably practicable, notify a member of any exercise of such powers. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company shall keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the office of the BVI registered agent of the company or at such other place as the directors determine.

A company is required to keep a register of members containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The entry of the name of a person in the register of members as a holder of a share in a company is *prima facie* evidence that legal title in the shares vests in that person. Where a company keeps a copy of the register of members at its registered office, it shall within 15 days of any change in the register, notify the BVI registered agent of the company, in writing, of the change, and provide the BVI registered agent of the company with a written record of the physical address of the place or places at which the original register of members is kept.

A company is required to keep a register to be known as a register of directors containing, *inter alia*, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

(n) Winding up

The court has authority under the Insolvency Act 2003 of the BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of the company's assets equals or exceeds its liabilities; and
- (ii) approve a liquidation plan specifying:
 - (aa) the reasons for the liquidation of the company;
 - (bb) their estimate of the time required to liquidate the company;
 - (cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
 - (dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
 - (ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

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A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of HK\$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator or two or more joint voluntary liquidators may be appointed in respect of a company:

- (i) by a resolution of the directors; or
- (ii) by a resolution of the members.

(i) Reconstructions

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

(j) Compulsory acquisition

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(k) Indemnification

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime.) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE PRIVATECO
AND THE BVI COMPANY LAW**

4. GENERAL

Conyers Dill & Pearman, the Privateco's special legal counsel on BVI law, have sent to the Privateco a letter of advice summarising certain aspects of BVI company law. This letter, together with a copy of the BVI Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of British Virgin Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENT

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the Shares

Name	Capacity	Number of Shares		Shareholding (%)
		Personal	Corporate interest	
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	–	1,725,160,589*	44.49
Chan Chi Ming Benson	Beneficial owner	55,000,000	–	1.42
Law Ping Wah Bernard	Beneficial owner	27,506,160	–	0.71
Cheng Man Pan Ben	Beneficial owner	29,337,000	–	0.76
Lo Kwok Hung John	Beneficial owner	2,095,500	–	0.05
		<u>113,938,660</u>	<u>1,725,160,589</u>	<u>47.43</u>

* The Shares were held as to 1,657,801,069 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (a substantial Shareholder)), and as to 67,359,520 Shares by Cash Guardian Limited (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee (“Mr Kwan”). Pursuant to the SFO, Mr Kwan was and deemed to be interested in a total of 32.00% shareholding interest in CASH, details of which are disclosed in the paragraph headed “Substantial Shareholders” below. Mr Kwan was deemed to be interested in all these Shares held by CIGL and Cash Guardian as a result of his interests in CASH and Cash Guardian pursuant to the SFO.

Out of the above 1,725,160,589 Shares in aggregate, a total of 1,707,220,589 Shares were charged under the Share Charges (as defined hereunder). Details of such shareholding interests are disclosed in the paragraph headed “Substantial Shareholders” below.

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

Name	Date of grant	Option period	Exercise price per Share (HK\$)	Number of options outstanding	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012 – 31/10/2014	0.0930	39,000,000	1.01
Chan Chi Ming Benson	15/6/2009	15/6/2009 – 30/6/2013	0.1335	16,500,000	0.42
	11/10/2012	11/10/2012 – 31/10/2014	0.0930	39,000,000	1.01
Law Ping Wah Bernard	11/10/2012	11/10/2012 – 31/10/2014	0.0930	39,000,000	1.01
Cheng Man Pan Ben	15/6/2009	15/6/2009 – 30/6/2013	0.1335	16,500,000	0.42
	11/10/2012	11/10/2012 – 31/10/2014	0.0930	39,000,000	1.01
Cheng Pui Lai Majone	15/10/2010	15/10/2010 – 31/10/2013	0.2764	5,500,000	0.13
	11/10/2012	11/10/2012 – 31/10/2014	0.0930	39,000,000	1.01
				233,500,000	6.02

Notes:

- (1) Mr Kwan Pak Hoo Bankee is also the substantial Shareholder.
- (2) The options are held by the Directors in the capacity of beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Capacity	Number of Shares	Shareholding (%)
Hobart Assets Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.49
Cash Guardian (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.49
CASH (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
Praise Joy Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
CIGL (Notes (1) & (2)(i))	Beneficial owner	1,657,801,069	42.75
Mr Al-Rashid, Abdulrahman Saad (“Mr Al-Rashid”) (Note (3))	Interest in a controlled corporation	315,131,640	8.12
Abdulrahman Saad Al-Rashid & Sons Company Limited (“ARTAR”) (Note (3))	Beneficial owner	315,131,640	8.12

Notes:

- (1) This refers to the same number of 1,725,160,589 Shares which were held as to 1,657,801,069 Shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH) and as to 67,359,520 Shares by Cash Guardian. CASH was owned as to a total of approximately 32.00% by Mr Kwan Pak Hoo Bankee, being approximately 31.91% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan) and approximately 0.09% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the Shares held by CIGL through CASH and Cash Guardian. The above interest has already been disclosed as corporate interest of Mr Kwan in the section headed “Directors’ interests in securities” above.

- (2) (i) Out of the above 1,725,160,589 Shares in aggregate, a total of 1,707,220,589 Shares (44.02%) were charged under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited (“Wah Sun”) (“Share Charges”). Wah Sun was controlled (1) as to 50% by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina; and (2) as to 50% by Hyper Chain Limited (which was wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina).
- (ii) In addition, Hampstead Trading Limited and Diamond Leaf Limited held 99,644,160 shares (2.56%) and 7,656,742 shares (0.19%) respectively in the Company. Both companies were wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina.

Together with the interests of Wah Sun in 1,707,220,589 shares (44.02%) in the Company under the Share Charges as disclosed in (2)(i) above, the Estate of Kung, Nina also known as Nina T.H. Wang was deemed to be interested in a total of 1,814,521,491 shares (46.79%) in the Company pursuant to the SFO.

- (3) This refers to the same number of 315,131,640 Shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the Shares held by ARTAR.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

Competing interests

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group’s businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Other interests

None of the Directors had any direct or indirect interest in any assets which have, since 31 December 2012 (being the date to which the latest published audited accounts of the Company were made up), been (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

Save for the interests of Mr Kwan Pak Hoo Bankee, Mr Chan Chi Ming Benson, Mr Law Ping Wah Bernard, Mr Cheng Man Pan Ben and Ms Cheng Pui Lai Majone in the new margin financing agreements dated 14 December 2012 (item g) as disclosed under the paragraph headed “Material Contracts” in this Appendix, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

4. LITIGATION OF THE GROUP

As at the Latest Practicable Date, neither the Company nor any other company in the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Group.

5. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Group within two years preceding the Latest Practicable Date:

- (a) the placing and top up agreement dated 3 June 2011 entered into among CASH (the substantial Shareholder), Cash Guardian (the controlling shareholder of CASH), Mr Law Ping Wah Bernard (a Director) and Celestial Securities Limited (a wholly-owned subsidiary of the Company) as the placing agent in relation to (i) the placing of a total of 208,000,000 issued shares in CASH held by Cash Guardian and Mr Law by Celestial Securities Limited to certain placees (independent third parties) at the placing price of HK\$0.51 per share and (ii) the subscription of new top up shares as to 107,000,000 shares by Cash Guardian and as to 101,000,000 shares by Mr Law respectively at the top up price of HK\$0.51 per share;
- (b) the provisional sale and purchase agreement dated 25 July 2011 entered into between Richwell Target Limited (a wholly-owned subsidiary of the Company) and Big Star Asia Pacific Limited (independent third party) in relation to the disposal of Pricerite Group Building located at No. 6 Hong Ting Road, Sai Kung, New Territories (Lot No. 1002 in Demarcation District 215) by the Group at the consideration of HK\$123,500,000;
- (c) the renewal agreement dated 14 December 2011 entered into between CASH (the substantial Shareholder) and CASH Retail Management (HK) Limited (a wholly-owned subsidiary of the Company) in relation to renewal of the lease arrangement of office premises for two years commencing from 1 January 2012 and expiring on 31 December 2013 at rental not exceeding HK\$5 million per annum;
- (d) the memorandum of understanding dated 22 March 2012 entered into among the Company, Akatsuki Financial Group, Inc. and Bendigo Partners, LLC in relation to the formation of a business alliance and cooperation in investment banking activities for a period of two years;

- (e)
 - (i) the provisional sale and purchase agreement dated 10 November 2012 and the formal sale and purchase agreement dated 13 November 2012 entered into between Cheer Wise Investments Limited (a wholly-owned subsidiary of the Company) as purchaser and Vital Success Development Limited (an independent third party) as vendor in relation to the acquisition of the whole floor of 21/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon (Kwun Tong Inland Lot No. 526) (with a total gross area of approximately 12,007 square feet), together with four car parking spaces Nos. P15 to P18 on 1/F of the same building at a consideration of HK\$114,824,960; and
 - (ii) the provisional sale and purchase agreement dated 10 November 2012 and the formal sale and purchase agreement dated 13 November 2012 entered into between Victory Glory Investments Limited (a wholly-owned subsidiary of the Company) as purchaser and Vital Success Development Limited (an independent third party) as vendor in relation to the acquisition of the whole floor of 22/F of Rykadan Capital Tower, No. 135-137 Hoi Bun Road, Kwun Tong, Kowloon (Kwun Tong Inland Lot No. 526) (with a total gross area of approximately 12,060 square feet), together with four car parking spaces Nos. P19 to P22 on 1/F of the same building at a consideration of HK\$115,316,800;
- (f) the share subscription agreement dated 3 December 2012 entered into between Celestial (China) Asset Management Limited (a wholly-owned subsidiary of the Company) and Express Team Holdings Inc (independent third party) as subscribers and Infinity Equity Management Company Limited as issuer in relation to the subscription for 20,000 new shares in Infinity Equity Management Company Limited at the consideration of US\$2,670,000 (equivalent to approximately HK\$20,639,100); and
- (g) the margin financing agreements all dated 14 December 2012 entered into between Celestial Securities Limited (a wholly-owned subsidiary of the Company) with each of the connected clients, namely Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard (executive Directors of the Company and CASH), Mr Chan Chi Ming Benson, Mr Cheng Man Pan Ben, Ms Cheng Pui Lai Majone (executive Directors of the Company), Dr Chan Yau Ching Bob, Mr Ng Kung Chit Raymond (directors of subsidiaries of the Group and executive directors of CASH), Cash Guardian Limited (a controlled corporation and an associate of Mr Kwan Pak Hoo Bankee), Libra Capital Management (HK) Limited and Cashflow Credit Limited (wholly-owned subsidiaries of CASH, the substantial Shareholder) in relation to the granting of margin financing facility to each of the connected clients for a sum of up to HK\$30 million for each of the three financial years ending 31 December 2015.

6. EXPERTS, QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices which are contained in the Circular:

Name	Qualification
Vinco Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	BVI legal advisers to Privateco

As at the Latest Practicable Date, each of Vinco Capital, Deloitte Touche Tohmatsu and Conyers Dill & Pearman was not interested beneficially in the shares in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, each of Vinco Capital, Deloitte Touche Tohmatsu and Conyers Dill & Pearman did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2012, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, each of Vinco Capital, Deloitte Touche Tohmatsu and Conyers Dill & Pearman has given and has not withdrawn their written consent to the issue of the Circular with the inclusion of and reference to their name in the form and context in which it appears.

7. SERVICE CONTRACT

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

8. MISCELLANEOUS

- (a) The secretary of the Company is Ms Luke Wing Sheung Suzanne, *a fellow member of The Institute of Chartered Secretaries and Administrators.*
- (b) The head office and the principal place of business of the Company in Hong Kong are at 21/F Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

- (c) The principal share registrars and transfer office of the Company in Bermuda are HSBC Bank Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of the Circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong during normal business hours on any day up to the holding of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports and audited consolidated financial statements of the Group for the two financial years ended 31 December 2012;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 33 of the Circular;
- (d) the letter from Vinco Capital, the text of which is set out on pages 34 to 47 of the Circular;
- (e) the accountants' report of the Privateco Group, the text of which is set out in Appendix II to the Circular;
- (f) the accountants' report on unaudited pro forma financial information of the Remaining Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to the Circular;
- (g) the letter of advice from Conyers Dill and Pearman summarising certain aspects of the BVI company law to the Privateco;
- (h) the written consents referred to in the paragraph headed "Experts, qualifications and consents" in this Appendix V;
- (i) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix V; and
- (j) the circulars issued by the Company since 31 December 2012, the date to which the latest published audited accounts of the Group were made up.

NOTICE OF THE SGM



CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of CASH Financial Services Group Limited (“Company”, together with its subsidiaries “Group”) will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 18 June 2013, Tuesday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** conditional on the various pre-conditions of the Distribution In Specie (as defined below and details are set out in the Company’s circular dated 31 May 2013 of which this notice forms part (“Circular”)) taking place,:

- (a) the Distribution In Specie of shares in the capital of the CASH Retail Management (HK) Limited (“Privateco”) by the Company to the shareholders of the Company whose names appear on the register of members of the Company on the record date (tentatively to be 25 June 2013 or any other date as subsequently announced by the directors of the Company (“Directors”)) on the basis of one Privateco Share for each share in the capital of the Company and all the transactions contemplated thereby be and are hereby approved; and
- (b) the Directors be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to do all such steps which in the opinion of the Directors may be necessary, appropriate, desirable or expedient to implement and/or give effect to the Distribution In Specie and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company, to the extent such variation, amendment, supplement or waiver do not constitute material changes to the material terms of the Distribution In Specie”.

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 31 May 2013

NOTICE OF THE SGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of business
in Hong Kong:*
21/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed for the meeting.
2. In order to be valid, the form of proxy must be deposited at the correspondence address of the Company at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.