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

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

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CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO

PROVISION OF FINANCIAL SERVICES

AND

NOTICE OF SPECIAL GENERAL MEETING

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

VINC 
Vinc Capital Limited

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

A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder is set out on pages 23 to 24 of this circular. A letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to items (1) and (2) above is set out on pages 25 to 50 of this circular.

A notice convening the SGM of CASH Financial Services Group Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 16 December 2021 (Thursday) at 10:00 am is set out on pages 57 to 58 of this circular. Whether or not you are able to attend the SGM, 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 no later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

22 November 2021

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE SGM

Taking into account the recent development of the pandemic caused by the Novel Coronavirus (COVID-19) pandemic, **the Company strongly recommends the Shareholders to appoint the chairman of the SGM as their proxy to vote on their behalf in respect of the resolutions to be proposed at the SGM to minimise the risk of infection.**

The Company also encourages the Shareholders to submit any question they have to the management of the Company by email at inquiry@cash.com.hk in advance of the SGM. For Shareholders attending the SGM in person, the Company will implement the following precautionary measures at the SGM:

- (a) **compulsory body temperature check** will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be permitted to access to the meeting venue;
- (b) every Shareholder or proxy is required to **sterilise their hands with hand sanitiser** and register at the counter at the entrance of the venue;
- (c) every Shareholder or proxy is required to **wear surgical face mask** throughout the meeting;
and
- (d) no distribution of corporate gifts and no refreshments will be served.

DEFINITIONS

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

“Algo Group”	CASH Algo Finance Group International Limited and its subsidiaries from time to time, which are wholly-owned subsidiaries of CASH and are principally engaged in algorithmic trading and alternative trading business
“Announcement”	the announcement made by the Company on 1 November 2021 in respect of the entering into of the New Margin Financing Agreements and the New Brokerage Services Agreement
“associate(s)”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of directors of the Company
“Brokerage Fees”	the commission, brokerage and fees received by Celestial Securities and Celestial Commodities in respect of the provision of the New Brokerage Services to the Confident Profits Group, as more particularly set out in the heading of “The New Brokerage Services Agreement” in the letter from the Board
“CASH”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose shares are listed on the main board of the Stock Exchange, and the substantial shareholder
“CASH Group”	CASH and its subsidiaries
“Cash Guardian”	Cash Guardian Limited and its principal activity of investment holding. It is a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee (an executive director of the Company and CASH). It is a substantial shareholder of CASH
“CCASS”	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Celestial Commodities”	Celestial Commodities Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO to carry out type 2 (dealing in futures contracts) regulated activity

DEFINITIONS

“Celestial Securities”	Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company. It is a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity
“CIGL”	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CASH. It is the substantial shareholder
“Company”	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange, and is an associated company of CASH
“Confident Profits”	Confident Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CASH. It is the holding company of the Confident Profits Group
“Confident Profits Group”	Confident Profits and its subsidiaries (including the Algo Group), which are subsidiaries of CASH
“Connected Client(s)”	Dr Kwan Pak Hoo Bankee, Mr Li Shing Wai Lewis, Mr Kwan Teng Hin Jeffrey, Mr Kwok Ka Lok Lionel, Mr Cheung Wai Lim William, Mr Cheung Wai Ching Anthony, Mr Fung Ka Chi Eddie, Cash Guardian, Cashflow Credit Limited and Confident Profits, particulars of which are set out under the heading of “The New Margin Financing Agreements” in the letter from the Board
“Connected Client and associate(s)”	(i) Dr Kwan Pak Hoo Bankee, Cash Guardian and Mr Kwan Teng Hin Jeffrey; or (ii) Cashflow Credit Limited and Confident Profits, and their principal activities are investment holding. The companies of the above item (ii) are wholly-owned subsidiaries of CASH, and are regarded as connected persons of the Company (as defined under the Listing Rules)
“Existing Brokerage Services”	the existing provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges by Celestial Securities and/or Celestial Commodities to the Confident Profits Group pursuant to the Existing Brokerage Services Agreement

DEFINITIONS

“Existing Brokerage Services Agreement”	the written brokerage services agreement dated 7 December 2018 entered into among Celestial Securities, Celestial Commodities and Confident Profits, particulars of which are set out in the sub-heading of “The Existing Brokerage Services” in the letter from the Board
“Existing Margin Financing Agreement(s)”	the existing margin financing agreements dated 7 December 2018 entered into by Celestial Securities with certain connected clients, particulars of which are set out in the sub-heading of “The Existing Margin Financing Arrangements” in the letter from the Board
“Existing Margin Financing Arrangement(s)”	the existing margin financing facility extended by Celestial Securities to certain connected clients under the Existing Margin Financing Agreements
“Futures Exchange”	The Hong Kong Futures Exchange Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, which has been established to advise the Independent Shareholders on (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vinco Capital”	Vinco Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	the Shareholders, other than any Connected Client(s) and their respective associate(s) who are the Shareholder(s) and are interested in their respective New Margin Financing Agreement(s) and the New Brokerage Services Agreement, as set out under the heading of “The SGM” in the letter from the Board
“Latest Practicable Date”	16 November 2021, being the latest practicable date prior to the printing of this 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
“New Brokerage Services”	the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges by Celestial Securities and/or Celestial Commodities to the Confident Profits Group pursuant to the New Brokerage Services Agreement
“New Brokerage Services Agreement”	the written brokerage services agreement dated 1 November 2021 on same terms and conditions as disclosed in the heading of “The New Brokerage Services Agreement” in the letter from the Board entered into among Celestial Securities, Celestial Commodities and Confident Profits relating to the proposed provision of the New Brokerage Services
“New Margin Financing Agreement(s)”	the written margin financing agreement(s) all dated 1 November 2021 on same terms and conditions as disclosed in the heading of “The New Margin Financing Agreements” in the letter from the Board between Celestial Securities with each of the Connected Clients relating to granting of the margin financing facility to each of the Connected Clients
“New Margin Financing Arrangement(s)”	the granting of margin financing facility by Celestial Securities to the Connected Clients pursuant to the New Margin Financing Agreements

DEFINITIONS

“Parties”	the parties to the New Margin Financing Agreements or the New Brokerage Services Agreement (as the case maybe)
“PRC”	the People’s Republic of China
“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 16 December 2021 (Thursday) at 10:00 am to approve (1) the New Margin Financing Agreements and the annual caps and (2) the New Brokerage Services Agreement and the annual cap, notice of which is set out on pages 57 to 58 of this circular
“Share(s)”	share(s) of HK\$0.4 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meanings ascribed to it under the Listing Rules
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

LETTER FROM THE BOARD



CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

Board of directors:

Executive directors:

KWAN Pak Hoo Bankee
LI Shing Wai Lewis
KWAN Teng Hin Jeffrey
KWOK Ka Lok Lionel
CHEUNG Wai Lim William

Independent non-executive directors:

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:***

22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

22 November 2021

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO

PROVISION OF FINANCIAL SERVICES

INTRODUCTION

Reference is made to the Announcement dated 1 November 2021 in relation to the entering into of the New Margin Financing Agreements and the New Brokerage Services Agreement respectively on 1 November 2021.

* For identification purpose only

LETTER FROM THE BOARD

The New Margin Financing Agreements

The Connected Clients are either existing directors or chief executive or substantial shareholders of the Group or their respective associates and are connected persons (as defined under the Listing Rules) of the Company. The granting of the New Margin Financing Arrangement to each of the Connected Clients constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

As applicable percentage ratios with reference to the margin financing facilities on an annual basis under the New Margin Financing Agreements for (i) each of the Connected Clients and (ii) Connected Client and associate(s) (on an aggregate basis) exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder for each of the items (i) to (ii) above are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

The New Brokerage Services Agreement

Confident Profits is a wholly-owned subsidiary of CASH (being the substantial shareholder) and is a connected person of the Company (as defined under the Listing Rules) by virtue of Rule 14A.07(4) of the Listing Rules. The provision of the New Brokerage Services constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As applicable percentage ratios with reference to the Brokerage Fees on an annual basis under the New Brokerage Services Agreement exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Brokerage Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to (i) provide the Shareholders with information on the New Margin Financing Agreements and the annual caps for the Connected Clients; (ii) provide the Shareholders with information on the New Brokerage Services Agreement and the annual cap; (iii) set out the letter from the Independent Board Committee to the Independent Shareholders in respect of (1) the New Margin Financing Agreements and the annual caps and (2) the New Brokerage Services Agreement and the annual cap; (iv) set out the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the items (1) and (2) above; and (v) give a notice to the Shareholders on convening the SGM for approving the items (1) and (2) above, and the transactions respectively contemplated thereunder.

LETTER FROM THE BOARD

THE NEW MARGIN FINANCING AGREEMENTS

Date: All dated 1 November 2021

Parties: Celestial Securities (a wholly-owned subsidiary of the Company) (as lender) and each of the following Connected Clients (as borrowers).

The Connected Clients are Dr Kwan Pak Hoo Bankee ^(Notes 1 and 3), Mr Li Shing Wai Lewis ^(Note 2), Mr Kwan Teng Hin Jeffrey ^(Notes 1 and 3) (executive directors of the Company and CASH), Mr Kwok Ka Lok Lionel ^(Note 2), Mr Cheung Wai Lim William ^(Note 2) (executive directors of the Company), Mr Cheung Wai Ching Anthony ^(Note 1) (director of subsidiaries of the Group), Mr Fung Ka Chi Eddie ^(Note 2) (chief executive of a subsidiary of the Group), Cash Guardian ^(Note 1) (a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee), Cashflow Credit Limited ^(Note 1) and Confident Profits ^(Note 1) (all are wholly-owned subsidiaries of CASH, being the substantial shareholder).

Notes:

- (1) Such Connected Clients have been granted margin financing facility at an annual cap of up to HK\$30 million each up to the financial years ending 31 December 2021 under the Existing Margin Financing Arrangements.
- (2) Mr Li Shing Wai Lewis, Mr Kwok Ka Lok Lionel and Mr Cheung Wai Lim William are directors of the Company and Mr Fung Ka Chi Eddie is the chief executive of a subsidiary of the Group. They are new Connected Clients who have not been granted any margin financing facility under the Existing Margin Financing Arrangements.
- (3) Mr Kwan Teng Hin Jeffrey is the son of Dr Kwan Pak Hoo Bankee.
- (4) The margin financing facility to be granted to each of the Connected Clients is a stand alone facility. Each of their margin financing facility under the New Margin Financing Arrangement will not be aggregated or aggregated with any margin financing facility of other Connected Clients.
- (5) All of the above Connected Clients are either existing directors or chief executive or substantial shareholders of the Group or their respective associates and are connected persons (as defined under the Listing Rules) of the Company. The granting of the New Margin Financing Arrangement to each of the Connected Clients constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Services provided:	Celestial Securities will extend margin financing facility to each of the Connected Clients under the respective New Margin Financing Arrangement.
The interest rates:	<p>The interest rates will be charged at a rate of up to 8% over HSBC's Hong Kong Dollar Prime Lending Rate per annum for advances made under the New Margin Financing Arrangements, which is subject to change in order to align with the prevailing market practice.</p> <p>The interest rates charged are determined by reference to the rates offered in the market by other securities brokers for services of similar nature and in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.</p>
The annual caps:	The annual caps of the margin financing facility to each of the Connected Clients will be a sum of up to HK\$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the three financial years ending 31 December 2024.
Basis for determining the annual caps:	<p>The annual caps of margin financing facility under the New Margin Financing Agreements are the same as under the Existing Margin Financing Agreements. After discussion with the Connected Clients, they would like to obtain the same annual caps under the Existing Margin Financing Agreements to allow them more flexibility for investment and trading activities.</p> <p>The annual caps were determined after arm's length negotiation between Celestial Securities and each of the Connected Clients based on (i) the demand of the Connected Clients; (ii) the amount of annual caps under the Existing Margin Financing Agreements; (iii) the historical amounts of margin financing facilities utilised by the Connected Clients under the Existing Margin Financing Agreements; (iv) the existing financial resources and capacity of margin financing facilities of the Group for granting the margin financing facility after taking into account the credit assessment, financial strength, past payment records and collateral securities for the facility of the Connected Clients; and (v) the benefit for capturing the securities trading activities of the Connected Clients so as to earn more commission and fees in the usual and ordinary course of the business of the Group.</p>

LETTER FROM THE BOARD

As shown in the table under the sub-heading of “The Existing Margin Financing Arrangements” in the letter from the Board on page 13 regarding the historical amounts of utilisation of margin financing facilities, the annual cap to each of the Connected Clients of HK\$30 million of margin financing facilities granted were almost fully utilised by a numerous Connected Clients in the past three years.

Due to the outbreak of the COVID-19 pandemic and the unstable environment of the Hong Kong and global stock market in the previous years, some of the Connected Clients have not fully utilised the annual cap granted to them. Although the proposed annual cap of HK\$30 million to each of the Connected Clients are substantially higher than the historical transactions amounts of these Connected Clients, the Board has taken into consideration (i) the Group has been granting margin financing facilities to connected clients since March 2007 with the same annual cap of HK\$30 million to each of the connected clients throughout all these years, and the New Margin Financing Agreements are renewal of the Existing Margin Financing Agreements with the same annual caps and similar terms; (ii) there is no significant delay or default in payment by the Connected Clients throughout the past years; (iii) the provision of higher annual cap amount and more flexibility to the Connected Clients for their potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future; and (iv) the benefits of the New Margin Financing Agreements to contribute income to the Group, and proposed to grant the same amount of annual caps of the Existing Margin Financing Agreements to allow a buffer and more flexibility for Celestial Securities to grant the margin financing facility to the Connected Clients in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group where the risks are considered low under the margin financing policy of the Group.

Duration:

Fixed term of three financial years ending 31 December 2024.

LETTER FROM THE BOARD

Other terms:

The Group applies the same margin ratio and default terms to all Connected Clients and independent clients. The margin ratio of stock ranges from 10% to 90% which is determined with reference to the financing policies of banks granted to the Group.

In the event of default by clients, the Company will (without prejudice to the Company's rights against or remedies from the clients) be entitled to:-

- (a) cancel all outstanding instruction(s);
- (b) cancel all commitments made by the Company;
- (c) liquidate or cover all position(s) in the account by all means;
- (d) close the account of clients;
- (e) appropriate or apply or realise or take possession of the credit balance or asset or collateral (as the case may be) under the account to offset and discharge any of the obligations; and
- (f) charge default interest and/or handling fee as determined by the Company from time to time.

Conditions precedent:

The New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder for each of the Connected Clients are subject to the approval by the Independent Shareholders at the SGM.

The New Margin Financing Agreements are not inter-conditional upon each other.

LETTER FROM THE BOARD

Reasons for and benefits of the New Margin Financing Agreements

The Board (including the independent non-executive directors) considers that the New Margin Financing Arrangements will enable Celestial Securities to continue (a) granting margin financing facilities to the Connected Clients, (b) capturing the securities trading activities of the Connected Clients, and (c) earning income from the Connected Clients in its ordinary course of business and on normal commercial terms.

The Board (including the independent non-executive directors) considers that (i) the New Margin Financing Arrangements are being provided on normal commercial terms and in the ordinary course of business which will not be more favourable than those available to other independent third party clients; (ii) the terms of the New Margin Financing Agreements are fair and reasonable; and (iii) the provision of the New Margin Financing Arrangements are in the interest of the Company and the Shareholders as a whole.

The Existing Margin Financing Arrangements

The Connected Clients (save as Mr Li Shing Wai Lewis, Mr Kwok Ka Lok Lionel, Mr Cheung Wai Lim William and Mr Fung Ka Chi Eddie) have entered into the Existing Margin Financing Arrangements with Celestial Securities and are currently utilising the margin financing facilities extended by Celestial Securities at an annual cap of up to HK\$30 million each up to the financial year ending 31 December 2021. Details of the Existing Margin Financing Agreements are listed below.

On 7 December 2018, Celestial Securities entered into the margin financing agreements all dated 7 December 2018 with, inter alia, Dr Kwan Pak Hoo Bankee (the then executive director of both the Company and CASH), Mr Kwan Teng Hin Jeffrey (the then executive director of the Company), Mr Cheung Wai Ching Anthony (the then executive director of the Company), Cash Guardian (a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee), Cashflow Credit Limited and Confident Profits (being wholly-owned subsidiaries of CASH). The transactions were disclosed in the announcement and circular of the Company dated 7 December 2018 and 9 January 2019 respectively, and the Existing Margin Financing Agreements for each of the Connected Client and associate(s) were approved by the independent Shareholders at the special general meeting held on 30 January 2019.

LETTER FROM THE BOARD

The historical figures of the margin financing facilities utilised by certain Connected Clients under the Existing Margin Financing Arrangements are listed below:

Name	Year/period	Outstanding amount as at year/period end (HK\$'000)	Maximum outstanding amount during the year/period (HK\$'000)	Related commission and interest income received by Celestial Securities during the year/period (HK\$'000)	The market value of pledged securities at fair value at the year/ period end (HK\$'000)
Dr Kwan Pak Hoo Bankee and associates	Year ended 31 December 2019	–	5,999	27	–
	Year ended 31 December 2020	–	26,310	914	–
	Six months ended 30 June 2021	–	6,273	23	–
Mr Kwan Teng Hin Jeffrey and associates	Year ended 31 December 2019	–	273	7	–
	Year ended 31 December 2020	–	26,654	98	–
	Six months ended 30 June 2021	–	14,346	31	–
Mr Cheung Wai Ching Anthony and associates	Year ended 31 December 2019	–	7,718	8	–
	Year ended 31 December 2020	–	22,064	78	–
	Six months ended 30 June 2021	–	8,321	13	–
Cash Guardian	Year ended 31 December 2019	–	–	–	–
	Year ended 31 December 2020	–	–	–	–
	Six months ended 30 June 2021	–	–	–	–
Cashflow Credit Limited	Year ended 31 December 2019	–	–	–	–
	Year ended 31 December 2020	–	–	–	–
	Six months ended 30 June 2021	–	24,236	15	–
Confident Profits Group	Year ended 31 December 2019	–	–	–	–
	Year ended 31 December 2020	–	–	–	–
	Six months ended 30 June 2021	–	–	–	–

All Existing Margin Financing Arrangements will expire after 31 December 2021. The Parties entered into the New Margin Financing Agreements with similar terms and conditions of the Existing Margin Financing Agreements for a further term of three years from 1 January 2022 to 31 December 2024.

LETTER FROM THE BOARD

Listing Rules implication for the Company

The Connected Clients are either existing directors or chief executive or substantial shareholders of the Group or their respective associates and are connected persons (as defined under the Listing Rules) of the Company. The granting of the New Margin Financing Arrangement to each of the Connected Clients constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

As applicable percentage ratios with reference to the margin financing facilities on an annual basis under the New Margin Financing Agreements for (i) each of the Connected Clients, and (ii) Connected Client and associate(s) (on an aggregate basis) exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder for each of the items (i) to (ii) above are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

THE NEW BROKERAGE SERVICES AGREEMENT

Date:	1 November 2021
Parties:	Celestial Securities and Celestial Commodities as services providers and Confident Profits as client.
Services provided:	Celestial Securities and/or Celestial Commodities will provide the New Brokerage Services, being brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges, to the Confident Profits Group from time to time.
The Brokerage Fees:	The Brokerage Fees will be calculated at:- (i) flat brokerage commission rate and fees at commission rate of not more than 0.25% (as agreed from time to time in accordance with the prevailing market rate), plus CCASS stock settlement fee charged at 0.002% on transaction value for securities trading under the Stock Exchange for any account of the Confident Profits Group opened with Celestial Securities; and

LETTER FROM THE BOARD

- (ii) commission and fees of not more than HK\$100 per lot per side for trading of futures/options on the Futures Exchange, and commission and fees of not more than US\$25 per lot per side for trading of Singapore Exchange (SGX), Chicago Mercantile Exchange (CME) futures/options products and other overseas exchanges products, and not more than US\$50 per lot per side for trading of London Metal Exchange (LME) products, subject to any other special circumstances such as arm's length negotiated trading volume discounts.

The Brokerage Fees for securities trading and futures/options trading are both determined based on arm's length negotiation between the Group and the Confident Profits Group with reference to the prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services and the commission and fees charged by the Group to independent clients for similar brokerage services.

The rates charged by the Group to independent clients are determined with reference to the then prevailing market price and practice of the securities broking firms in the relevant market and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition. In order to maintain the competitiveness and fast response to the market, the rates charged by the Group shall be reviewed on timely basis and shall be updated as soon as practicable after reviewing the prevailing market rate by reference to the then independent securities broking firms on contemporaneous transactions as published on their websites and/or public promotions in order to ensure the percentage of commission charged by the Group is in line with the prevailing market practice. The proposed rates will be adopted in accordance to the pre-determined approval hierarchy of the Company.

The brokerage fees for securities trading and futures/options trading being charged to the Confident Profits Group are determined based on the same pricing methodology as stated above and in any event will not be more favourable than those available to independent clients of the Group.

LETTER FROM THE BOARD

The New Brokerage Services to be provided to the Confident Profits Group are on normal commercial terms and at market rates, which will not be more favourable than those available to independent third party clients of the Group.

The Brokerage Fees (including the CCASS fees) is to be payable when the transaction is concluded.

The annual cap:

The annual cap of the Brokerage Fees will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2024.

Basis for determining
the annual cap:

The annual cap of the Brokerage Fees of HK\$30 million under the New Brokerage Services Agreement is the same as under the Existing Brokerage Services Agreement. After discussion with Confident Profits and after taking into consideration of the recent global and local economic conditions and securities market, they would like to obtain the same annual cap under the Existing Brokerage Services Agreement in order to allow more flexibility to fulfil the trading needs of the Algo Group in the near future.

The annual cap of the Brokerage Fees was determined after arm's length negotiation between Confident Profits with Celestial Securities and Celestial Commodities based on (i) the amount of annual cap under the Existing Brokerage Services Agreement; (ii) for transaction flexibility, a reasonable buffer to cater for unexpected growth in investment and trading activities in case the investment sentiment improves; and (iii) the benefits taken into consideration by the Group to capture the securities trading activities of the Confident Profits Group so as to earn more commission and fees in the usual and ordinary course of the business of the Group.

LETTER FROM THE BOARD

Due to the outbreak of the COVID-19 pandemic and the fluctuating economic and investment environment of the Hong Kong and global stock market in the previous years, the Confident Profits Group did not utilise the annual cap granted to them for the past three years. Nevertheless, the Board has taken into consideration (i) the Group has been providing the brokerage services to the Confident Profits Group since January 2016; (ii) the New Brokerage Services Agreement is renewal of the Existing Brokerage Services Agreement with the same annual cap and similar terms; (iii) the provision of more flexibility to the Confident Profits Group for its potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future; and (iv) the benefits of the New Brokerage Services Agreement to contribute income to the Group, proposed to grant the new annual cap to allow a buffer and more flexibility for Celestial Securities and/or Celestial Commodities to provide brokerage services to the Confident Profits Group in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group.

Duration: Fixed term of three financial years ending 31 December 2024.

Conditions precedent: The New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM.

If the above condition is not satisfied on or before 30 June 2022 or such later date as may be agreed among the Parties, the New Brokerage Services Agreement shall lapse and become null and void immediately (other than the rights and obligations already accrued).

Reasons for and benefits of the New Brokerage Services Agreement

The Confident Profits Group intends to utilise the New Brokerage Services in order to carry on its algorithmic trading business for investment and trading of securities and futures and options contracts in its ordinary and usual course of business. The provision of the New Brokerage Services is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and will enable Celestial Securities and/or Celestial Commodities to continue to capture the investment and trading activities of the Confident Profits Group and to earn commission, brokerage fees and interest from those activities.

The Board (including the independent non-executive directors) considers that (i) the New Brokerage Services is being provided on normal commercial terms and in the ordinary course of business which will not be more favourable than those available to other independent third party clients; (ii) the terms of the New Brokerage Services are fair and reasonable; and (iii) the provision of the New Brokerage Services are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Existing Brokerage Services

On 7 December 2018, Celestial Securities and Celestial Commodities, and Confident Profits entered into the Existing Brokerage Services Agreement dated 7 December 2018 relating to the provision of the Existing Brokerage Services at the annual cap of the Brokerage Fees of HK\$30 million for each of the three financial years ending 31 December 2021.

Details of the transaction were disclosed in the announcement and circular of the Company dated 7 December 2018 and 9 January 2019 respectively, and the transaction was approved by the independent Shareholders at the special general meeting held on 30 January 2019.

During the period from 1 January 2019 and up to the Latest Practicable Date, Celestial Securities and Celestial Commodities did not receive any brokerage fees from the Confident Profits Group under the Existing Brokerage Services Agreement.

The Existing Brokerage Services Agreement will expire after 31 December 2021. The Parties entered into the New Brokerage Services Agreement with the same annual cap of HK\$30 million for a further term of three years from 1 January 2022 to 31 December 2024.

Listing Rules implication for the Company

Confident Profits is a wholly-owned subsidiary of CASH (being the substantial shareholder) and is a connected person of the Company (as defined under the Listing Rules) by virtue of Rule 14A.07(4) of the Listing Rules. The provision of the New Brokerage Services constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As applicable percentage ratios with reference to the Brokerage Fees on an annual basis under the New Brokerage Services Agreement exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Brokerage Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Group has established adequate internal control policies to regularly monitor the utilisation rates of margin financing facilities granted to Connected Clients and the brokerage services provided to the Confident Profits Group to ensure compliance with the disclosure requirements of the Listing Rules. Our credit and risk management department and operation personnel are informed of the applicable threshold for the purpose of disclosure from time to time, with an aim to ensure that the continuing connected transactions are provided in accordance with the terms of the governing agreements and that the respective annual cap are not exceeded. The Group has also maintained a credit and risk management policy which set out the procedures and guidelines for credit facility application. To monitor compliance of the relevant Listing Rules applicable to connected transaction, the Company has adopted the following measures:

- (i) the operations department is responsible for the day-to-day monitoring of the level of Existing Margin Financing Arrangement offered to the existing connected clients and shall report to the chief operating officer or chief financial officer of the Company when the margin financing facility under each of the Existing Financing Arrangement approach the respective annual caps;
- (ii) the operation department will observe the market condition and monitor the prevailing market prices on timely basis including the pricings of contemporaneous transactions with independent third parties. The rates charged by the Group shall be updated as soon as practicable in accordance to the pre-determined approval hierarchy of the Company. Furthermore, the operation department will compare other concurrent transactions for similar transactions with independent third parties and ensure that the terms offered by the Group are no more favourable than those available to independent third parties; and
- (iii) the Company's auditors and independent non-executive directors will review the continuing connected transactions annually in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively.

Similar internal control procedures will continue to be conducted for monitoring the New Margin Financing Arrangements and the New Brokerage Services and to ensure compliance with applicable listing rules.

INFORMATION ON THE GROUP AND PARTIES TO THE TRANSACTIONS

The principal activity of the Company is investment holding. The principal activities of the Group are (a) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, (d) provision of investment banking services, and (e) provision of asset management services. For additional information, please visit www.cfsg.com.hk.

LETTER FROM THE BOARD

The principal activity of CASH is investment holding. The principal activities of CASH Group consist of (a) retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite”, “TMF”, “SECO”, “Pricerite Food” and “Pricerite Pet” in Hong Kong; (b) provision of asset management services to the fund investors; and (c) general investment holding including algorithmic trading business. For additional information, please visit www.cash.com.hk.

Confident Profits (the holding company of the Confident Profits Group) is a wholly-owned subsidiary of CASH. It is an investment holding company, which is holding the Algo Group. The principal activities of the Algo Group are algorithmic trading business including algorithmic trading and alternative trading.

Cashflow Credit Limited is a wholly-owned subsidiary of CASH. Its principal activity is investment holding.

Cash Guardian is a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee (an executive director of the Company and CASH). Its principal activity is investment holding.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to consider and advise the Independent Shareholders of (1) the terms of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the terms of the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of (1) the terms of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the terms of the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder.

THE SGM

Set out on pages 57 to 58 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 10:00 am on 16 December 2021 (Thursday) at which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder. All the resolutions will be taken by poll at the SGM.

In respect of item (1) in relation to the New Margin Financing Agreements above, each of the New Margin Financing Agreements for the Connected Clients is subject to separate resolution for approval by the Independent Shareholders as set out in the notice of the SGM in this circular.

LETTER FROM THE BOARD

The following Connected Client(s) and their respective associates, who are the Shareholder(s) and are interested in their respective New Margin Financing Agreement(s) and the New Brokerage Services Agreement, will abstain from voting on the relevant resolution(s) in approving their respective New Margin Financing Agreement(s) and the New Brokerage Services Agreement at the SGM. Accordingly:-

- (i) CIGL (being a wholly-owned subsidiary of CASH and is an associate of CASH, Cash Guardian and Dr Kwan Pak Hoo Bankee), controls or is entitled to exercise control over the voting right in respect of 97,960,854 Shares, representing approximately 37.50% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the resolutions numbered 1(i), 1(iii), and 1(viii) to 1(x) relating to the New Margin Financing Agreements for Dr Kwan Pak Hoo Bankee, Mr Kwan Teng Hin Jeffrey, Cash Guardian, Cashflow Credit Limited and Confident Profits respectively, and resolution numbered 2 relating to the New Brokerage Services Agreement;
- (ii) Dr Kwan Pak Hoo Bankee controls or is entitled to exercise control over the voting right in respect of 2,472,000 Shares, representing approximately 0.94% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the resolutions numbered 1(i), 1(iii), and 1(viii) to 1(x) relating to the New Margin Financing Agreements for himself, Mr Kwan Teng Hin Jeffrey, Cash Guardian, Cashflow Credit Limited and Confident Profits respectively, and resolution numbered 2 relating to the New Brokerage Services Agreement;
- (iii) Mr Kwan Teng Hin Jeffrey controls or is entitled to exercise control over the voting right in respect of 2,472,000 Shares, representing approximately 0.94% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the resolutions numbered 1(i), 1(iii), and 1(viii) to 1(x) relating to the New Margin Financing Agreements for Dr Kwan Pak Hoo Bankee, himself, Cash Guardian, Cashflow Credit Limited and Confident Profits respectively, and resolution numbered 2 relating to the New Brokerage Services Agreement; and
- (iv) Mr Li Shing Wai Lewis controls or is entitled to exercise control over the voting right in respect of 2,472,000 Shares, representing approximately 0.94% of the total issued Shares as at the Latest Practicable Date, will abstain from voting on the resolution numbered 1(ii) relating to his individual New Margin Financing Agreement, and resolution numbered 2 relating to the New Brokerage Services Agreement.

Save as disclosed above, none of the Connected Clients or any of their respective associates held any Shares as at the Latest Practicable Date.

In addition, all the executive directors of the Company (namely Dr Kwan Pak Hoo Bankee, Mr Li Shing Wai Lewis, Mr Kwan Teng Hin Jeffrey, Mr Kwok Ka Lok Lionel, Mr Cheung Wai Lim William) are Connected Clients and have material interest in their related New Margin Financing Agreements, they had abstained from voting on the relevant board resolutions at the relevant board meeting of the Company in approving their respective New Margin Financing Agreements.

LETTER FROM THE BOARD

In addition, none of the directors of the Company (save as Dr Kwan Pak Hoo Bankee, Mr Li Shing Wai Lewis and Mr Kwan Teng Hin Jeffrey) has material interest in the New Brokerage Services Agreement and Dr Kwan Pak Hoo Bankee, Mr Li Shing Wai Lewis and Mr Kwan Teng Hin Jeffrey had abstained from voting on the relevant board resolution at the relevant board meeting of the Company in approving the New Brokerage Services Agreement.

A form of proxy for use at the SGM is enclosed with this 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 adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) are of the opinion that (1) the terms of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the terms of the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the aforesaid items (1) and (2) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of (1) the ordinary resolutions (each by separate resolution) relating to the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the ordinary resolution relating to the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder to be proposed at 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 23 to 24 and pages 25 to 50 of this circular, respectively.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

22 November 2021

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

IN RELATION TO

PROVISION OF FINANCIAL SERVICES

We refer to the circular dated 22 November 2021 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 (1) the terms of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the terms of the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder and to advise the Independent Shareholders whether, in our opinion, the terms of the items (1) and (2) above are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the terms of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the terms of the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 6 to 22 of the Circular which contains, inter alia, information on (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder, and the letter from Vinco Capital set out on pages 25 to 50 of the Circular which contains its advice in respect of the terms of the items (1) and (2) above.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of (1) the New Margin Financing Agreements and the annual caps and (2) the New Brokerage Services Agreement and the annual cap and taken into account the advice of Vinco Capital, we consider that the terms of (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are 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 resolutions to be proposed at the SGM to approve (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder.

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 respect of the terms and conditions of (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.

VINCO  **Vinco Capital Limited**

Vinco Capital Limited
Unit 2610, 26/F., The Center
99 Queen's Road Central, Hong Kong

22 November 2021

To the Independent Board Committee and the Independent Shareholders of

CASH Financial Services Group Limited

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF FINANCIAL SERVICES**

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of (1) the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder, and (2) the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder, details of which are set out in the Letter from the Board (the "Letter from the Board") contained in the Circular issued by the Company to the Shareholders dated 22 November 2021 (the "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.

LETTER FROM VINCO CAPITAL

Reference is made to the announcement of the Company dated 1 November 2021 (the “Announcement”), in relation to, among others, the New Margin Financing Agreements entered into between Celestial Securities (a wholly-owned subsidiary of the Company) and the Connected Clients relating to the proposed provision of the New Margin Financing Arrangements (being margin financing facility at an annual cap of up to HK\$30 million extended to each of the Connected Clients for the three financial years ending 31 December 2024). The Connected Clients (save as Mr Li Shing Wai Lewis, Mr Kwok Ka Lok Lionel, Mr Cheung Wai Lim William and Mr Fung Ka Chi Eddie) have been granted the Existing Margin Financing Arrangements under the Existing Margin Financing Agreements. All Existing Margin Financing Arrangements will expire after 31 December 2021. The Parties entered into the New Margin Financing Agreements with similar terms and conditions of the Existing Margin Financing Agreements for a further term of three years from 1 January 2022 to 31 December 2024.

The Connected Clients are either existing directors or chief executive or substantial shareholders of the Group or their respective associates and are connected persons (as defined under the Listing Rules) of the Company. The granting of the New Margin Financing Arrangements to each of the Connected Clients constitutes continuing connected transaction under Chapter 14A of the Listing Rules.

As the applicable percentage ratios with reference to the margin financing facilities on an annual basis under the New Margin Financing Agreements for (i) each of the Connected Clients and (ii) Connected Client and associate(s) (on an aggregate basis) exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder for each of the items (i) to (ii) above are subject to the reporting, announcement, Independent Shareholders’ approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Announcement, Celestial Securities and Celestial Commodities (being wholly-owned subsidiaries of the Company) as service providers and Confident Profits (a wholly-owned subsidiary of CASH, being the substantial shareholder) as customer entered into the New Brokerage Services Agreement relating to the proposed provision of the New Brokerage Services (being the brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges at an annual cap of up to HK\$30 million for the three financial years ending 31 December 2024).

Celestial Securities and Celestial Commodities have entered into the Existing Brokerage Services Agreement with Confident Profits which will expire after 31 December 2021. The Parties entered into the New Brokerage Services Agreement with a new annual cap of up to HK\$30 million for a further term of three years from 1 January 2022 to 31 December 2024.

Confident Profits is a wholly-owned subsidiary of CASH (being the substantial shareholder) and is a connected person of the Company (as defined under the Listing Rules) by virtue of Rule 14A.07(4) of the Listing Rules. The provision of the New Brokerage Services constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM VINCO CAPITAL

As the applicable percentage ratios with reference to the Brokerage Fees on an annual basis under the New Brokerage Services Agreement exceed 5% and the aggregate amount exceeds HK\$10,000,000, the New Brokerage Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements for the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive directors, namely Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles, has been established by the Board to consider and advise the Independent Shareholders as to whether the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole. We have been appointed and have been approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We were not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates.

During the past two years, we were appointed as the independent financial adviser to the Company in respect of (i) the options adjustments; and (ii) the conditional mandatory cash offers ("Past Appointments"). Details of the Past Appointments are set out in the announcement of the Company and the circular of the Company dated 3 September 2020 and 2 June 2021, respectively. The professional fees in connection with the Past Appointments have been fully settled and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice and recommendations on the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder.

LETTER FROM VINCO CAPITAL

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 no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

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 SGM and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible 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.

We have also sought and received confirmation from the directors that no material facts have been omitted from the information supplied and opinions expressed. 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.

The directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, 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.

LETTER FROM VINCO CAPITAL

We consider that we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”); (ii) the interim report for the six months ended 30 June 2021 (the “2021 Interim Report”); (iii) the New Margin Financing Agreements and the New Brokerage Services Agreement; (iv) the audited accounts of Celestial Securities and Celestial Commodities for the year ended 31 December 2020; (v) the basis and assumptions in relation to the annual caps for the three years ending 31 December 2024 considered by the Group; (vi) the historical transaction amounts between Celestial Securities and Connected Clients for the two years ended 31 December 2020 and the six months ended 30 June 2021; (vii) sample walkthrough documents which includes but not limited to margin facility letters and the account statements showing settlement amount of past margin financing services offered by Celestial Securities to the Connected Clients and other independent third parties; (viii) the historical transaction amounts between Celestial Securities and Celestial Commodities, and Confident Profits for the two years ended 31 December 2020 and the six months ended 30 June 2021; and (ix) the internal control procedures and credit and risk management policies governing continuing connected transactions which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder, 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 on the continuing connected transactions contemplated and the annual caps under the New Margin Financing Agreements and the New Brokerage Services Agreement, 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.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the terms of the New Margin Financing Agreements and the New Brokerage Services Agreement, we have considered the following principal factors and reasons set out below:

LETTER FROM VINCO CAPITAL

1. Background of entering into the New Margin Financing Agreements and the New Brokerage Services Agreement

Information of the Group

As stated in the Letter from the Board, the principal activities of the Group are (a) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, (b) proprietary trading of debt and equity securities and derivatives, (c) provision of margin financing and money lending services, (d) provision of investment banking services, and (e) provision of asset management services. For additional information, please visit www.cfsg.com.hk.

Information of the CASH Group

The principal activity of CASH is investment holding. The principal activities of CASH Group consist of (a) retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite”, “TMF”, “SECO” “Pricerite Food” and “Pricerite Pet” in Hong Kong; (b) provision of asset management services to the fund investors; and (c) general investment holding including algorithmic trading business. For additional information, please visit www.cash.com.hk.

Information of Confident Profits

Confident Profits (the holding company of the Confident Profits Group) is a wholly-owned subsidiary of CASH. It is an investment holding company, which is holding the Algo Group. The principal activities of the Algo Group are algorithmic trading business including algorithmic trading and alternative trading.

Information of Cashflow Credit Limited

Cashflow Credit Limited is a wholly-owned subsidiary of CASH. Its principal activity is an investment holding.

Information of Cash Guardian

Cash Guardian is a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee (an executive director of the Company and CASH). Its principal activity is investment holding.

LETTER FROM VINCO CAPITAL

Historical financial information of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the two years ended 31 December 2020 and the unaudited consolidated financial result of the Group for the six months ended 30 June 2021, as extracted from the 2020 Annual Report and the 2021 Interim Report respectively:

	<i>For the year ended 31 December</i>		<i>For the six months</i>
	<i>2019</i>	<i>2020</i>	<i>ended 30 June</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– Financial services <i>(Note 1)</i>	107,458	103,618	55,772
– Proprietary trading <i>(Note 2)</i>	34	70	–
	107,492	103,688	55,772
Loss attributable to owners of the Company	(114,048)	(39,178)	(19,029)
	<i>As at 31 December</i>		<i>As at 30 June</i>
	<i>2019</i>	<i>2020</i>	<i>2021</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total asset	1,503,607	1,468,468	2,038,445
Total liabilities	999,809	1,014,588	1,593,658
Total equity	503,798	453,880	444,787

Notes

1. Financial services segment of the Group includes (i) provision of online and traditional brokerage of securities, futures and options as well as life insurance, mutual funds and mandatory provident fund products, (ii) provision of margin financing and money lending services, (iii) provision of investment banking services, and (iv) provision of asset management services.
2. Proprietary trading segment of the Group includes proprietary trading of debt and equity securities and derivatives.

LETTER FROM VINCO CAPITAL

As set out in the 2021 Interim Report, the Group recorded unaudited revenue of approximately HK\$55.8 million for the six months ended 30 June 2021, representing an increase of approximately 10.4% from that of approximately HK\$50.5 million for the six months ended 30 June 2020. Pursuant to the 2021 Interim Report, the increase was mainly due to the increase in revenue of the Group's wealth management business, which its wealth management products and services are attractive to client such as the favourable product investment yields and the protection offered to the assets since the volatility of the market had provoked the clients' desire to have preservation on their assets.

The Group recorded a net loss of approximately HK\$19.0 million for the six months ended 30 June 2021 as compared to a net loss of HK\$28.1 million in the same period last year. The decrease in net loss was mainly due to the increase in revenue as mentioned above and the decrease in other losses.

With reference to the 2020 Annual Report, the revenue of the Group decreased by approximately 3.5% from approximately HK\$107.5 million for the year ended 31 December 2019 to approximately HK\$103.7 million for the year ended 31 December 2020. The directors believe the decrease was mainly attributable to the unprecedented health and economic crisis as a result of the COVID-19 pandemic and, among paralysing economic activities worldwide, had triggered severe economic recession to Hong Kong's securities market during the first half of 2020. Although the Hang Seng Index had undergone a strong bounce-back in the second half of 2020, the directors believe that the Group's main clients being retail investors preferred to avoid trading during the volatile market, resulting the decrease in brokerage commission income by approximately 16.4% compared to the previous year.

The Group recorded a net loss attributable to owners of the Company from approximately HK\$114.0 million for the year ended 31 December 2019 to approximately HK\$39.2 million for the year ended 31 December 2020. The Group's decrease in loss for the year ended 31 December 2020 was mainly attributable to (i) the decrease in other operating cost for the year ended 31 December 2020 namely telecommunications, advertising and promotion expenses following the Board's implementation plan against the COVID-19 pandemic including the work from home arrangements; and (ii) no impairment loss was recognised for the Group's property and equipment for the year ended 31 December 2020. The overall net loss for the year ended 31 December 2020 was mainly attributable to the severe economic recession to Hong Kong's securities market as a result of the COVID-19 pandemic as mentioned above. And we noted that the Company had not declared any dividend in 2019 and 2020.

LETTER FROM VINCO CAPITAL

2. Reasons for and benefits of the New Margin Financing Agreements and the New Brokerage Services Agreement

The New Margin Financing Agreements and the New Brokerage Services Agreement are renewal of the Existing Brokerage Services Agreement and the Existing Margin Financing Agreements of similar terms and conditions which shall expire on 31 December 2021. The New Margin Financing Agreements and the New Brokerage Services Agreement have a fixed term of three years commencing from 1 January 2022 and ending on 31 December 2024.

The New Margin Financing Agreements

As disclosed in the Letter from the Board, on 1 November 2021, Celestial Securities entered into the New Margin Financing Agreements with the Connected Clients relating to the proposed provision of the New Margin Financing Arrangements. As confirmed by the directors, the New Margin Financing Arrangements will enable Celestial Securities to continue (a) granting margin financing facilities to the Connected Clients, (b) capturing the securities trading activities of the Connected Clients, and (c) earning income from the Connected Clients in its ordinary course of business and on normal commercial terms.

For our due diligence purpose, we have obtained and reviewed (i) the internal control procedures and risk management policies of the Group in relation to the continuing connected transactions; (ii) the New Margin Financing Agreements; and (iii) sample walkthrough documents which includes but not limited to margin facility letters and the account statements showing the settlement amount of past margin financing services offered by Celestial Securities to the Connected Clients and other independent third parties for the two years ended 31 December 2020 and six months ended 30 June 2021.

The Company has long been providing margin financing services to certain Connected Clients since March 2007. Regarding the financial services provided by the Group, we noted that margin financing has been a stable source of revenue to consolidated accounts of the Group. According to the 2021 Interim Report of the Group, interest income contributed as one of the major source of revenue and the accounts receivable arising from the business of margin financing amounted to approximately HK\$120 million as at 30 June 2021. Thus, we consider that the margin financing activity is an important source of revenue to the Group.

Having taken into above and as stated in the section headed “Overview of the Hong Kong stock market” below, we are of the view that the New Margin Financing Agreements are in the ordinary and usual course of business which is beneficial to the revenue of the Group and would provide the Group with additional opportunity to maximise its interest income, we concur with the directors’ view that (i) the New Margin Financing Arrangement are being provided in the ordinary course of business which are of the similar nature of those services provided to ordinary clients of the Group and (ii) the provision of the New Margin Financing Arrangements are in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

The New Brokerage Services Agreement

As disclosed in the “Letter from the Board”, on 1 November 2021, Celestial Securities and Celestial Commodities, and Confident Profits entered into the New Brokerage Services Agreement relating to the proposed provision of the New Brokerage Services. It is noted that the Confident Profits Group intends to utilise the New Brokerage Services in order to carry on its algorithmic trading business for investment and trading of securities and futures and options contracts in its ordinary and usual course of business. As per our discussion with the directors, the New Brokerage Services Agreement will enable Celestial Securities and/or Celestial Commodities to continue to capture the investment and trading activities of the Confident Profits Group and to earn commission, brokerage fees and interest from those activities.

For our due diligence purpose, we have obtained and reviewed (i) the internal control procedures and credit and risk management policies of the Group in relation to the continuing connected transactions; (ii) the New Brokerage Services Agreement; (iii) the brokerage commission rate offered by the Company to independent third parties; and (iv) quotation from other independent securities broking firm on the brokerage commission rate and fees they offer.

In addition, the entering into of the New Brokerage Services Agreement would allow flexibility for Celestial Securities and/or Celestial Commodities to provide the New Brokerage Services to Confident Profits, which is in line with potential revenue distribution from the Confident Profits Group which can enhance revenue portfolio of the Group, we consider the entering into of the New Brokerage Services Agreement would provide the Group with additional opportunity to maximise its commission and brokerage fees, and to broaden its income source when Confident Profits utilise the New Brokerage Services, and are therefore of the opinion that entering into the New Brokerage Services Agreement is conducted in the ordinary and usual course of business of the Company, and is in the interest of the Company and the Shareholders as a whole.

Having taken into above and as stated in the section headed “Overview of the Hong Kong stock market” below, we are of the view that the New Brokerage Services Agreement is in the ordinary and usual course of business and the provision of the New Brokerage Services is one of the principal business activities of the Group which can enhance revenue portfolio of the Group and we concur with the directors’ view that (i) the New Brokerage Services is being provided in the ordinary course of business which are of the similar nature of those provided to the other independent clients of the Group; and (ii) the provision of the New Brokerage Services are in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

Overview of the Hong Kong stock market

The provision of the margin financial services by the Group to the Connected Clients may depend on the performance of the Hong Kong stock market as the condition of the stock market is one of the main factors affecting the financing needs and investment behaviour of clients. We have reviewed the historical data for assessing the performance of the Hong Kong stock market.

Set out below is the historical data of the Hong Kong Stock Exchange from 2016 to 2020:

	Hong Kong Stock Exchange					CAGR
	2016	2017	2018	2019	2020	
Total turnover in value from stocks (HK\$ billion)	16,396	21,709	26,423	21,440	32,110	18.30%
Total turnover in value from funds (HK\$ billion)	1,103	1,249	1,210	1,368	1,739	12.05%
Total turnover in value from bonds (HK\$ million)	21,278	60,496	48,394	60,692	65,544	32.48%
Total number of IPO	126	174	218	183	154	5.14%
Amount of total equity funds raised (HK\$ billion)	490	580	544	454	744	10.99%
Amount of total equity funds raised from IPO (HK\$ billion)	195	128	288	314	398	19.44%
Total market capitalisation (HK\$ billion)	24,761	34,000	29,909	38,165	47,523	17.70%
Total number of listed companies	1,973	2,118	2,315	2,449	2,538	6.50%

As shown in the table above, the historical performance of the Hong Kong stock market was mostly positive during the period from 2016 to 2020. The total turnover in values from stocks, funds and bonds grew at compound annual growth rate approximately 18.30%, 12.05% and 32.48% respectively. The total number of IPO, amount of total equity funds raised, total market capitalisation and total number of listed companies positively grew at CAGR approximately 5.14%, 10.99%, 17.70% and 6.50% respectively from 2016 to 2020.

According to the data provided by the Hong Kong Stock Exchange, the number of listed companies on the Hong Kong Stock Exchange as at 30 September 2021 reached 2,559 with a total market capitalisation of approximately HK\$44,185 billion. The number of IPO for the nine months ended 30 September 2021 is 73 with a total fund raised by IPO of approximately HK\$285.5 billion, where the number of IPO and the total fund raised by IPO for the nine months 30 September 2021 have decreased by 29.8% and increased by 32.2% respectively compared to the same period in 2020. The average number of trades per trading day for the nine months ended 30 September 2021 has also increased 28.3% compared to the same period in 2020.

LETTER FROM VINCO CAPITAL

3. Principle terms of the continuing connected transactions in relation to the New Margin Financing Agreements and the New Brokerage Services Agreement

The New Margin Financing Agreements

Date: All dated 1 November 2021

Parties: Celestial Securities (a wholly-owned subsidiary of the Company) (as lender) and each of the following Connected Clients (as borrowers).

The Connected Clients are Dr Kwan Pak Hoo Bankee ^(Notes 1 and 3), Mr Li Shing Wai Lewis ^(Note 2), Mr Kwan Teng Hin Jeffrey ^(Note 1 and 3) (executive directors of the Company and CASH), Mr Kwok Ka Lok Lionel ^(Note 2), Mr Cheung Wai Lim William ^(Note 2) (executive directors of the Company), Mr Cheung Wai Ching Anthony ^(Note 1) (director of subsidiaries of the Group), Mr Fung Ka Chi Eddie ^(Note 2) (chief executive of a subsidiary of the Group), Cash Guardian ^(Note 1) (a controlled corporation and an associate of Dr Kwan Pak Hoo Bankee), Cashflow Credit Limited ^(Note 1) and Confident Profits ^(Note 1) (all are wholly-owned subsidiaries of CASH, being the substantial shareholder). Please refer to “Letter from the Board” for the detailed notes of the Connected Clients.

Notes:

- (1) Such Connected Clients have been granted margin financing facility at an annual cap of up to HK\$30 million each up to the financial years ending 31 December 2021 under the Existing Margin Financing Arrangements.*
- (2) Mr Li Shing Wai Lewis, Mr Kwok Ka Lok Lionel and Mr Cheung Wai Lim William are directors of the Company and Mr Fung Ka Chi Eddie is the chief executive of a subsidiary of the Group. They are new Connected Clients who have not been granted any margin financing facility under the Existing Margin Financing Arrangements.*
- (3) Mr Kwan Teng Hin Jeffrey is the son of Dr Kwan Pak Hoo Bankee.*
- (4) The margin financing facility to be granted to each of the Connected Clients is a stand alone facility. Each of their margin financing facility under the New Margin Financing Arrangement will not be aggregated or aggregated with any margin financing facility of other Connected Clients.*
- (5) All of the above Connected Clients are either existing directors or chief executive or substantial shareholders of the Group or their respective associates and are connected persons (as defined under the Listing Rules) of the Company. The granting of the New Margin Financing Arrangement to each of the Connected Clients constitutes continuing connected transaction under Chapter 14A of the Listing Rules.*

LETTER FROM VINCO CAPITAL

Services provided: Celestial Securities will extend margin financing facility to each of the Connected Clients under the respective New Margin Financing Arrangement.

The interest rates: The interest rates will be charged at a rate up to 8% over HSBC's Hong Kong Dollar Prime Lending Rate per annum for advances made under the New Margin Financing Arrangements, which is subject to change in order to align with the prevailing market practice.

The interest rates charged are determined by reference to the rates offered in the market by other securities brokers for services of similar nature and in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.

The annual caps: The annual caps of the margin financing facility to each of the Connected Clients will be a sum of up to HK\$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the three financial years ending 31 December 2024.

Basis for determining the annual caps: The annual caps of margin financing facility under the New Margin Financing Agreements are the same as under the Existing Margin Financing Agreements. After discussion with the Connected Clients, they would like to obtain the same annual caps under the Existing Margin Financing Agreements to allow them more flexibility for investment and trading activities.

The annual caps were determined after arm's length negotiation between Celestial Securities and each of the Connected Clients based on (i) the demand of the Connected Clients; (ii) the amount of annual caps under the Existing Margin Financing Agreements; (iii) the historical amounts of margin financing facilities utilised by the Connected Clients under the Existing Margin Financing Agreements; (iv) the existing financial resources and capacity of margin financing facilities of the Group for granting the margin financing facility after taking into account the credit assessment, financial strength, past payment records and collateral securities for the facility of the Connected Clients; and (v) the benefit for capturing the securities trading activities of the Connected Clients so as to earn more commission and fees in the usual and ordinary course of the business of the Group.

As shown in the table under the sub-heading of "The Existing Margin Financing Arrangements" in the Letter from the Board regarding the historical amounts of utilisation of margin financing facilities, the annual caps to each of the Connected Clients of HK\$30 million of margin financing facilities granted were almost fully utilised by a numerous Connected Clients in the past three years.

LETTER FROM VINCO CAPITAL

Due to the outbreak of the COVID-19 pandemic and the unstable environment of the Hong Kong and global stock market in the previous years, some of the Connected Clients have not fully utilised the annual caps granted to them. Although the proposed annual caps of HK\$30 million to each of the Connected Clients are substantially higher than the historical transactions amounts of these Connected Clients, the Board has taken into consideration (i) the Group has been granting margin financing facilities to connected clients since March 2007 with the same annual caps of HK\$30 million to each of the connected clients throughout all these years, and the New Margin Financing Agreements are renewal of the Existing Margin Financing Agreements with the same annual caps and similar terms; (ii) there is no significant delay or default in payment by the Connected Clients throughout the past years; (iii) the provision of higher annual cap amount and more flexibility to the Connected Clients for their potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future; and (iv) the benefits of the New Margin Financing Agreements to contribute income to the Group, and proposed to grant the same amount of annual caps of the Existing Margin Financing Agreements to allow a buffer and more flexibility for Celestial Securities to grant the margin financing facility to the Connected Clients in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group where the risks are considered low under the margin financing policy of the Group.

The Board considers that the grant of the same amount of annual caps of the Existing Margin Financing Agreements to allow more flexibility for Celestial Securities to grant the margin financing facility to the Connected Clients in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group.

Duration: Fixed term of three financial years ending 31 December 2024.

Other terms: The Group applies the same margin ratio and default terms to all Connected Clients and independent clients. The margin ratio of stock ranges from 10% to 90% which is determined with reference to the financing policies of banks granted to the Group.

In the event of default by clients, the Company will (without prejudice to the Company's rights against or remedies from the clients) be entitled to:

- (a) cancel all outstanding instruction(s);
- (b) cancel all commitments made by the Company;
- (c) liquidate or cover all position(s) in the account by all means;
- (d) close the account of clients;
- (e) appropriate or apply or realise or take possession of the credit balance or asset or collateral (as the case may be) under the account to offset and discharge any of the obligations; and
- (f) charge default interest and/or handling fee as determined by the Company from time to time.

LETTER FROM VINCO CAPITAL

Conditions precedent: The New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder for each of the Connected Clients are subject to the approval by the Independent Shareholders at the SGM.

The New Margin Financing Agreements are not inter-conditional upon each other.

The New Brokerage Services Agreement

Date: 1 November 2021

Parties: Celestial Securities and Celestial Commodities as services providers and Confident Profits as client.

Services provided: Celestial Securities and/or Celestial Commodities will provide the New Brokerage Services, being brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges, to the Confident Profits Group from time to time.

The Brokerage Fees: The Brokerage Fees will be calculated at:-

- (i) flat brokerage commission rate and fees at commission rate of not more than 0.25% (as agreed from time to time in accordance with the prevailing market rate), plus CCASS stock settlement fee charged at 0.002% on transaction value for securities trading under the Stock Exchange for any account of the Confident Profits Group opened with Celestial Securities; and
- (ii) commission and fees of not more than HK\$100 per lot per side for trading of futures/options on the Futures Exchange, and commission and fees of not more than US\$25 per lot per side for trading of Singapore Exchange (SGX), Chicago Mercantile Exchange (CME) futures/options products and other overseas exchanges products, and not more than US\$50 per lot per side for trading of London Metal Exchange (LME) products, subject to any other special circumstances such as arm's length negotiated trading volume discounts.

The Brokerage Fees for securities trading and futures/options trading are both determined based on arm's length negotiation between the Group and the Confident Profits Group with reference to, the prevailing commission and fees charged by other independent brokers and securities companies for similar brokerage services and the commission and fees charged by the Group to independent clients for similar brokerage services.

LETTER FROM VINCO CAPITAL

The rates charged by the Group to independent clients are determined with reference to the then prevailing market price and practice of the securities broking firms in the relevant market and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition. In order to maintain the competitiveness and fast response to the market, the rates charged by the Group shall be reviewed on timely basis and shall be updated as soon as practicable after reviewing the prevailing market rate by reference to the then independent securities broking firms on contemporaneous transactions as published on their websites and/or public promotions in order to ensure the percentage of commission charged by the Group is in line with the prevailing market practice. The proposed rates will be adopted in accordance to the pre-determined approval hierarchy of the Company.

The brokerage fees for securities trading and futures/options trading being charged to the Confident Profits Group are determined based on the same pricing methodology as stated above and in any event will not be more favourable than those available to independent clients of the Group.

The New Brokerage Services to be provided to the Confident Profits Group are on normal commercial terms and at market rates, which will not be more favourable than those available to independent third party clients of the Group.

The Brokerage Fees (including the CCASS stock settlement fees) is to be payable when the transaction is concluded.

The annual cap: The annual cap of the Brokerage Fees will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2024.

Basis for determining the annual caps: The annual cap of the Brokerage Fees of HK\$30 million under the New Brokerage Services Agreement is the same as under the Existing Brokerage Services Agreement. After discussion with Confident Profits and after taking into consideration of the recent global and local economic conditions and securities market, they would like to obtain the same annual cap under the Existing Brokerage Services Agreement in order to allow more flexibility to fulfil the trading needs of the Algo Group in the near future.

The annual cap of the Brokerage Fees was determined after arm's length negotiation between Confident Profits with Celestial Securities and Celestial Commodities based on (i) the amount of annual cap under the Existing Brokerage Services Agreement; (ii) for transaction flexibility, a reasonable buffer to cater for unexpected growth in investment and trading activities in case the investment sentiment improves; and (iii) the benefits taken into consideration by the Group to capture the securities trading activities of the Confident Profits Group so as to earn more commission and fees in the usual and ordinary course of the business of the Group.

LETTER FROM VINCO CAPITAL

Due to the outbreak of the COVID-19 pandemic and the fluctuating economic and investment environment of the Hong Kong and global stock market in the previous years, the Confident Profits Group did not utilise the annual cap granted to them for the past three years. Nevertheless, the Board has taken into consideration (i) the Group has been providing the brokerage services to the Confident Profits Group since January 2016; (ii) the New Brokerage Services Agreement is renewal of the Existing Brokerage Services Agreement with the same annual cap and similar terms; (iii) the provision of more flexibility to the Confident Profits Group for its potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future; and (iv) the benefits of the New Brokerage Services Agreement to contribute income to the Group, proposed to grant the new annual cap to allow a buffer and more flexibility for Celestial Securities and/or Celestial Commodities to provide brokerage services to the Confident Profits Group in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group.

Duration: Fixed term of three financial years ending 31 December 2024.

Conditions precedent: The New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are subject to the approval by the Independent Shareholders at the SGM.

If the above condition is not satisfied on or before 30 June 2022 or such later date as may be agreed among the Parties, the New Brokerage Services Agreement shall lapse and become null and void immediately (other than the rights and obligations already accrued).

4. The New Margin Financing Agreements and the New Brokerage Services Agreement

4.1 The New Margin Financing Agreements

In accessing the fairness and reasonableness of the New Margin Financing Arrangements, for our due diligence purposes, we have enquired the Directors to provide us with and reviewed, on a sampling basis, the terms and interest rate offered by the Group in relation to the provision of margin financing facilities to its other independent margin clients.

As disclosed in the Letter from the Board, the interest rate of the margin financing shall be charged at a rate of up to 8% over HSBC's Hong Kong Prime Lending Rate per annum. We have reviewed sample walkthrough documents which includes but not limited to at least 30 margin facility letters and at least 30 account statements showing the settlement amount of past margin financing services offered by Celestial Securities to the Connected Clients and other independent third parties for the two years ending 31 December 2020 and six months ended 30 June 2021. We note that the interest rates offered to all of the Connected Clients are the same and not more favourable than those offered to other independent third parties. We have also reviewed the standard trading policy in relation to securities margin trading of Celestial Securities and noted that the terms including the interest rates provided to the Connected Clients are the same or not more favourable than those offered to other independent third parties. Also, we understand that each of the margin financing facilities is repayable on demand and will be secured by all listed securities held by the Connected Clients in their respective securities accounts maintained in Celestial Securities.

LETTER FROM VINCO CAPITAL

In addition, we have discussed with the directors and noted that the New Margin Financing Arrangements will be closely monitored by the Group's Risk Management and Credit Control Department, to ensure that the interest rate and terms of the margin financing facilities provided to the Connected Clients are on normal commercial terms, and at commercial rates which are in line with the rates offered to other independent margin clients with similar credit assessment results.

In light of the above, we are of the view that providing an interest rate of up to 8% over HSBC's Hong Kong Prime Lending Rate is beneficial to the Company in earning more commission and fees and are of the view that the interest rate, terms and conditions of the Margin Financing Agreements are on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

4.2 The New Brokerage Services Agreement

With reference to the New Brokerage Services Agreement, the brokerage commission rate and fees at commission rate are not more than 0.25%, plus CCASS stock settlement fee charged at 0.002% on transaction value for securities trading under the Stock Exchange for any account of the Confident Profits Group opened with Celestial Securities.

To ensure the brokerage commission rate and fees offered to Confident Profits is on normal commercial terms, we have reviewed quotation of other independent securities broking firms on the brokerage commission rate they offer. We note that the brokerage commission rate offered by the securities broking firms are 0.25%, which is the same as the brokerage commission rate provided by Celestial Securities to Confident Profits. We have also reviewed the standard brokerage commission rate provided by the Company to independent clients, the commission rate is 0.25%, plus CCASS stock settlement fee charged at 0.002% on transaction value for securities trading under the Stock Exchange. We note that the brokerage fees and the commission rates provided to the Confident Profits Group are the same as other independent third parties. Since the brokerage commission rate offered by Celestial Securities to Confident Profits are the same as the other five independent securities broking firms of 0.25%, where the brokerage commission rate offered to Confident Profits is the same to other independent third parties which is a standard rate, we are of the view that the brokerage commission rate and fee at commission rate of no more than 0.25% is fair and reasonable.

We have discussed with the directors that the Company has been searching for the quotation of which has similar principal terms of the New Brokerage Services Agreement in the relevant market, the flat brokerage commission rate and fees charged by other securities broking firm on the market and the principal terms thereunder were generally comparable to those offered by Celestial Securities to the Confident Profits Group.

LETTER FROM VINCO CAPITAL

Regarding to the commission and fees for futures and options trading, we have reviewed the quotation from the independent securities broking firms in Hong Kong for trading of futures and options under the Futures Exchange, Singapore Exchange (SGX), Chicago Mercantile Exchange (CME) and London Metal Exchange (LME). We noted that the commission and fees charged by other securities broking firms on the market and the principal terms thereunder were generally comparable to those offered by Celestial Commodities to the Confident Profits Group as mentioned in above. The capped pricing quoted by the independent securities broking firms are ranging from not more than HK\$100 per lot per side for Future Exchange, US\$15 – US\$40 per lot per side for SGX, US\$5 – US\$40 per lot per side for CME and US\$30 – US\$40 per lot per side for LME which are similar with or less favourable than those pricing stipulated in the New Brokerage Services Agreement. The settlement date of the transactions stated by the independent securities broking firms is on trading date which is the same with settlement date agreed between the Celestial Commodities and the Confident Profits Group. And we also noted that we were not aware of any material difference between the terms of the market comparables and those offered by Celestial Commodities to the Confident Profits Group.

We have reviewed the pricing and payment term offered to independent third party clients by Celestial Securities and Celestial Commodities, which are similar with those agreed between the Confident Profits Group and Celestial Securities and Celestial Commodities. The capped prices provided to Confident Profits Group are approximately HK\$100 per lot per side for Future Exchange, US\$25 per lot per side for SGX, US\$25 per lot per side for CME and US\$50 per lot per side for LME, which are the same as offered to the independent third party clients.

Furthermore, as confirmed by the directors, going forward the rates, fees and terms for brokerage services to be offered to the Confident Profits Group will be similar to those offered by Celestial Securities and Celestial Commodities to independent third party clients, which will be determined with reference to the then prevailing market price and practice of the major securities broking firms in the relevant market and after considering the trading volume, creditworthiness and financial standing of the clients and the prevailing market condition.

In view of the above, we confirm that the New Brokerage Services Agreement is conducted on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

LETTER FROM VINCO CAPITAL

5. Basis of the annual caps

Historical annual caps on the Existing Margin Financing Agreements

Set out below are the historical amounts of the actual transactions in relation to the margin financing for the two years ended 31 December 2020 and the six months ended 30 June 2021.

Name	Year/period	Outstanding amount as at year/period end (HK\$'000)	Maximum outstanding amount during the year/period (HK\$'000)	Related commission and interest income received by Celestial Securities during the year/period (HK\$'000)	The market value of pledged securities at fair value at the year/period end (HK\$'000)	Utilisation rate
Dr Kwan Pak Hoo Bankee and associates	Year ended 31 December 2019	–	5,999	27	–	20.0%
	Year ended 31 December 2020	–	26,310	914	–	87.7%
	Six months ended 30 June 2021	–	6,273	23	–	20.9%
Mr Kwan Teng Hin Jeffrey and associates	Year ended 31 December 2019	–	273	7	–	0.9%
	Year ended 31 December 2020	–	26,654	98	–	88.8%
	Six months ended 30 June 2021	–	14,346	31	–	47.8%
Mr Cheung Wai Ching Anthony and associates	Year ended 31 December 2019	–	7,718	8	–	25.7%
	Year ended 31 December 2020	–	22,064	78	–	73.5%
	Six months ended 30 June 2021	–	8,321	13	–	27.7%

LETTER FROM VINCO CAPITAL

Name	Year/period	Outstanding amount as at year/period end (HK\$'000)	Maximum outstanding amount during the year/period (HK\$'000)	Related commission and interest income received by Celestial Securities during the year/period (HK\$'000)	The market value of pledged securities at fair value at the year/period end (HK\$'000)	Utilisation rate
Cash Guardian	Year ended 31 December 2019	-	-	-	-	-
	Year ended 31 December 2020	-	-	-	-	-
	Six months ended 30 June 2021	-	-	-	-	-
Cashflow Credit Limited	Year ended 31 December 2019	-	-	-	-	-
	Year ended 31 December 2020	-	-	-	-	-
	Six months ended 30 June 2021	-	24,236	15	-	80.8%
Confident Profits Group	Year ended 31 December 2019	-	-	-	-	-
	Year ended 31 December 2020	-	-	-	-	-
	Six months ended 30 June 2021	-	-	-	-	-

As depicted from the table above, we note that three of the Connected Clients have utilised more than 80% of the previous annual caps, with one of them already utilised not less than 80% of the previous annual cap for the six months ended 30 June 2021, which the actual transaction amounts did not exceed the annual caps for the two years ended 31 December 2020 and anticipated that it will not be exceeding the annual cap for the year ending 31 December 2021. After discussing with the management of the Company, we note that some of the previous annual caps were not fully utilised mainly due to the pessimistic market condition of Hong Kong thus some Connected Clients did not use up the annual caps granted.

LETTER FROM VINCO CAPITAL

Although some of the utilisation rate of the annual caps were not fully utilised for the financial years ended 31 December 2019 and 2020 and the annual caps for the financial year ending 31 December 2021 will not be fully utilised, given the fact that large fraction of the previous annual caps were prepared to make provision against sudden needs of granting loans, the financing needs depend on the investment strategies and whether there were investment opportunities appeared in the market, the utilisation rate of the previous annual caps during the periods are intelligible.

Historical annual cap on the Existing Brokerage Services Agreement

Set out below the historical figures of the brokerage fees received by Celestial Securities and Celestial Commodities from the Confident Profits Group under the Existing Brokerage Services Agreement for the two years ended 31 December 2020 and the six months ended 30 June 2021.

	Six months ended 30 June 2021	Year ended 31 December	
	(HK\$'000)	2020	2019
		(HK\$'000)	(HK\$'000)
Brokerage fees	–	–	–
Previous annual cap	30,000	30,000	30,000
Utilisation	0%	0%	0%

The utilisation rate for the two years ended 31 December 2020 and the six months ended 30 June 2021 is nil respectively. Although the utilisation rate of the annual cap was nil for the financial years ended 31 December 2019 and 2020 and the annual cap for the financial year ending 31 December 2021 will not be fully utilised, given the fact that large fraction of the previous annual cap was prepared to make provision against investment needs which depend on the business strategies of the clients and whether there are investment opportunities appear in the market, the low utilisation rate of the previous annual cap during the periods are intelligible. In addition, the Company is obtaining the same annual cap of HK\$30 million under the New Brokerage Services Agreement for each of the three years from 1 January 2022 to 31 December 2024.

Proposed Annual Cap

It is proposed that the cap amounts of the continuing connected transaction for each of the three financial years ending 31 December 2024 under the New Margin Financing Agreements and the New Brokerage Services Agreement will not exceed the following:

The New Margin Financing Agreements

The annual caps of the margin financing facility to each of the Connected Clients will be a sum of up to HK\$30 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the three financial years ending 31 December 2024.

LETTER FROM VINCO CAPITAL

In determining the proposed annual caps for the New Margin Financing Agreements, the directors have made references to (i) the demand of the Connected Clients; (ii) the amount of annual caps under the Existing Margin Financing Agreements; (iii) the historical amounts of margin financing facilities utilised by the Connected Clients under the Existing Margin Financing Agreements; (iv) the existing financial resources and capacity of margin financing facilities of the Group for granting the margin financing facility after taking into account the credit assessment, financial strength, past payment records and collateral securities for the facility of the Connected Clients; and (v) the benefit for capturing the securities trading activities of the Connected Clients so as to earn more commission and fees in the usual and ordinary course of the business of the Group. As confirmed by the directors, all of the Connected Clients had a good credit rating with no significant delay in repayment during the past three years.

Three of the Connected Clients have utilised more than 80% of the previous annual caps with one of them has already utilised up to not less than 80% of the previous annual cap for the six months ended 30 June 2021. We have discussed with the directors of the Group and note that the margin amount granted to each of the Connected Clients and other independent third parties depend on their credit assessment, financial strength, past payment records and collateral securities, which vary by each client.

We have also performed researches on the market capitalisation of newly listed companies in 2021. As mentioned in the section headed “Overview of the Hong Kong Stock Market” above, the number of IPO for the nine months ended 30 September 2021 is 73 with a total fund raise by IPO of HK\$285.5 million, where the number of IPO and the total fund raise by IPO for the nine months ended 30 September 2021 has decreased by 29.8% and increased by 32.2% respectively compared to the same period in 2020, as well as having an increase in the average number of trades per trading day.

Given the fact that large fraction of the proposed annual caps is needed to prepare to make provision for its potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future and three of the Connected Clients have utilised more than 80% of the previous annual caps with one of them has already utilised not less than 80% of the previous annual cap for the six months ended 30 June 2021, we understand the proposed annual caps are of revenue nature which will inevitably enable the Group to capture the potential business opportunities from the Connected Clients and therefore increase the interest income of the Group. As such, we are of the view that the proposed annual caps for under the New Margin Financing Agreements from the Connected Clients for the three financial years ending 31 December 2024 is fair and reasonable.

The New Brokerage Services Agreement

The annual cap of the Brokerage Fees will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2024.

LETTER FROM VINCO CAPITAL

With reference to the Letter from the Board, the proposed annual cap for the Brokerage Fees was determined after arm's length negotiation between Confident Profits with Celestial Securities and Celestial Commodities based on (i) the amount of annual cap under the Existing Brokerage Services Agreement; (ii) for transaction flexibility, a reasonable buffer to cater for unexpected growth in investment and trading activities in case the investment sentiment improves and (iii) the benefits taken into consideration by the Group to capture the securities trading activities of the Confident Profits Group so as to earn more commission and fees in the usual and ordinary course of the business of the Group.

The utilisation rate on the historical transaction amounts for the two years ended 31 December 2020 and the six months ended 30 June 2021 is nil respectively. After the directors discussion with Confident Profits taking into consideration of the outbreak of the COVID-19 pandemic and the recent global and local unfavourable economic conditions and securities market, they would like to obtain the same annual cap of HK\$30 million for the three years period under the New Brokerage Services Agreement in order to fulfil the trading needs of the Algo Group in the near future. As per our discussion with the directors and in view of the business nature of the Group, the proposed annual cap is prepared to make provision against investment needs which depend on the business strategies of the clients and whether there are investment opportunities appear in the market in the future. As such, the Confident Profits Group would be expected to paid the Brokerage Fees under the New Brokerage Services for each of the three years ending 31 December 2024. In light of the above, we are of the view that such caps are of revenue nature which will inevitably enable the Group to capture the potential business opportunities from Confident Profits Group and therefore increase the brokerage commission income of the Group in the usual and ordinary course of the business of the Group.

We have also noted that the Hang Seng Index has been volatile in the past two years, we are of the view that the consideration in taking the same annual cap as under the Existing Brokerage Services Agreement for the three years ending 31 December 2024 under the New Brokerage Services Agreement is fair and reasonable.

Furthermore, as confirmed with the management of the Group, we understand the Board has taken into consideration that (i) the Group has been providing the brokerage services to the Confident Profits Group since January 2016 and hence the renewal of such agreement is considered to be reasonable as avoiding any unnecessary disruption to the Group's business; (ii) the New Brokerage Services Agreement is renewal of the Existing Brokerage Services Agreement with the same annual cap and similar terms, therefore we believe the consistency of its annual cap and terms would be conducted accordingly as the previous transactions in the usual and ordinary course of the business of the Group; (iii) the provision of more flexibility to the Confident Profits Group for its potential investment and trading activities in case the investment sentiment improves and the stock market goes upward in the future that preparing the provision for the market needs is fair and reasonable; and (iv) the benefits of the New Brokerage Services Agreement to contribute income to the Group, proposed to grant the new annual cap to allow a buffer and more flexibility for Celestial Securities and/or Celestial Commodities to provide brokerage services to the Confident Profits Group in its ordinary and usual course of business with a view to contributing to the revenue and results of the Group.

LETTER FROM VINCO CAPITAL

Based on all of the above, we are of the view that the basis of determining annual caps for the New Margin Financing Agreements and the New Brokerage Services Agreement are fair and reasonable as far as the Independent Shareholders are concerned.

Internal Control Measures

As stated in the Letter of the Board, we understand the Group has established adequate internal control policies to regularly monitor the utilisation rates of margin financing facilities granted to Connected Clients and the brokerage services provided to the Confident Profits Group to ensure compliance with the disclosure requirements of the Listing Rules. The credit and risk management department and operation personnel are informed of the applicable threshold for the purpose of disclosure from time to time, with an aim to ensure that the continuing connected transactions are provided in accordance with the terms of the governing agreements and that the respective annual caps are not exceeded. The Group has also maintained a credit and risk management policy which set out the procedures and guidelines for credit facility application. To monitor compliance of the relevant Listing Rules applicable to connected transaction, the Company has adopted the following measures:

- (i) the operations department is responsible for the day-to-day monitoring of the level of Existing Margin Financing Arrangement offered to the existing connected clients and shall report to the chief operating officer or chief financial officer of the Company when the margin financing facility under each of the Existing Financing Arrangement approach the respective annual caps;
- (ii) the operation department will observe the market condition and monitor the prevailing market prices on timely basis including the pricings of contemporaneous transactions with independent third parties. The rates charged by the Group shall be updated as soon as practicable in accordance to the pre-determined approval hierarchy of the Company. Furthermore, the operation department will compare other concurrent transactions for similar transactions with independent third parties and ensure that the terms offered by the Group are no more favourable than those available to independent third parties; and
- (iii) the Company's auditors and independent non-executive directors will review the continuing connected transactions annually in accordance with Rule 14A.55 and Rule 14A.56 of the Listing Rules respectively.

As confirmed with the management with the Company, similar internal control procedures will continue to be conducted for monitoring the New Margin Financing Arrangements and the New Brokerage Services and to ensure compliance with applicable Listing Rules. Pursuant to the daily document in relation to the balance amount of the connected clients under the Existing Financing Arrangements, we understand the Company has monitored the amount of the margin financing facility under each of the Existing Financing Arrangement to ensure the annual caps would not be exceeding. We have also reviewed the independent auditor's assurance report on the continuing connected transactions for the two years ended 31 December 2019 and 2020 dated 20 March 2020 and 5 March 2021 respectively in relation to the Existing Margin Financing Agreement and the Existing Brokerage Services Agreement. As such we are of the view that the Company's auditor will review as the previous year for the transactions under the Existing Financing Arrangements and the Existing Brokerage Services Agreement to confirm whether the transactions thereunder not to exceed the annual cap on a year basis.

LETTER FROM VINCO CAPITAL

Conclusion

Having taken into the above principal factors and reasons into consideration, we are of the view that the New Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and the New Brokerage Services Agreement and the annual cap and the transactions contemplated thereunder are in the usual and ordinary course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM in this regard.

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

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. RESPONSIBILITY STATEMENT

This 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 this 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 this 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:

The Company

(a) Long positions in the Shares

Name	Capacity	Personal (Number of Shares)	Corporate Interest (Number of Shares)	Shareholding (%)
Kwan Pak Hoo Bankee (<i>Note</i>)	Beneficial owner and interest in a controlled corporation	2,472,000	97,960,854*	38.45
Li Shing Wai Lewis (<i>Note</i>)	Beneficial owner	2,472,000	–	0.94
Kwan Teng Hin Jeffrey (<i>Note</i>)	Beneficial owner	2,472,000	–	0.94
Lo Kwok Hung John	Beneficial owner	62,775	–	0.02
		<u>7,478,775</u>	<u>97,960,854</u>	<u>40.35</u>

* The Shares were held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial shareholder)). Pursuant to the SFO, Dr Kwan Pak Hoo Bankee (“Dr Kwan”) was interested in a total of 49.79% shareholding interest in CASH, details of which are disclosed in the heading of “substantial shareholders” below. Dr Kwan was deemed to be interested in all these Shares held by CIGL as a result of his interests in CASH.

(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 (Note)	29/03/2019	01/05/2019-30/04/2022	1.42	1,350,000	0.52
	29/07/2021	01/08/2021-31/07/2023	0.572	2,400,000	0.92
Li Shing Wai Lewis (Note)	29/03/2019	01/05/2019-30/04/2022	1.42	337,500	0.13
	29/07/2021	01/08/2021-31/07/2023	0.572	2,400,000	0.92
Kwan Teng Hin Jeffrey (Note)	29/03/2019	01/05/2019-30/04/2022	1.42	1,350,000	0.52
	29/07/2021	01/08/2021-31/07/2023	0.572	2,400,000	0.92
Kwok Ka Lok Lionel	29/03/2019	01/05/2019-30/04/2022	1.42	675,000	0.25
	29/07/2021	01/08/2021-31/07/2023	0.572	900,000	0.34
Cheung Wai Lim William	29/07/2021	01/08/2021-31/07/2025	0.572	900,000	0.34
				<u>12,712,500</u>	<u>4.86</u>

Note: They are directors of both the Company and CASH (the substantial shareholder).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company 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 (<i>Note (1)</i>)	Interest in a controlled corporation	97,960,854	37.50
Cash Guardian (<i>Note (1)</i>)	Interest in a controlled corporation	97,960,854	37.50
CASH (<i>Note (1)</i>)	Interest in a controlled corporation	97,960,854	37.50
Praise Joy Limited (<i>Note (1)</i>)	Interest in a controlled corporation	97,960,854	37.50
CIGL (<i>Note (1)</i>)	Beneficial owner	97,960,854	37.50
Ever Billion Group Limited ("Ever Billion") (<i>Note (2)</i>)	Beneficial owner	41,300,000	15.81

Notes:

- (1) This refers to the same number of 97,960,854 Shares held by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the substantial shareholder)). CASH was owned as to a total of approximately 49.79% by Dr Kwan, being approximately 49.05% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan) and approximately 0.74% by Dr Kwan in his personal name. Pursuant to the SFO, Dr Kwan, Hobart Assets Limited and Cash Guardian were deemed to be interested in all the Shares held by CIGL through CASH. The above interest has already been disclosed as corporate interest of Dr Kwan in the section headed "Directors' interests in securities" above.
- (2) The shareholding interest of Ever Billion was based on the notice dated 20 June 2017 filed by it pursuant to Divisions 2 and 3 of Part XV of the SFO after adjusting the number of Shares held by it due to the 20-to-1 share consolidation of the Company which took effect on 7 September 2020. Based on the said notice, Ever Billion is a wholly-owned subsidiary of Sunbase International (Holdings) Limited, which is in turn owned as to 66.67% by Mr Gao Gunter and 33.33% by Ms Yang Linda. Pursuant to the SFO, Mr Gao Gunter, Ms Yang Linda and Sunbase International (Holdings) Limited were deemed to be interested in all these Shares held by Ever Billion.

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.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

5. 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)).

6. INTEREST OF DIRECTORS IN THE GROUP'S ASSETS

Since 31 December 2020, the date to which the latest published audited accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

7. INTERESTS OF DIRECTORS IN CONTRACTS

The following set out the contract(s) or arrangement(s) subsisting as at the Latest Practicable Date entered into between the Directors and the Group:

- (1) the Existing Margin Financing Agreements dated 7 December 2018 entered into between Celestial Securities with certain Connected Clients, namely Dr Kwan Pak Hoo Bankee, Mr Kwan Teng Hin Jeffrey and Cash Guardian (a controlled corporation of Dr Kwan) in relation to the grant of margin financing facility with a sum of each up to HK\$30 million for each of the three financial years ending 31 December 2021 at an interest rate ranging from around prime rate to 6% above the prime rate per annum (details as set out in the circular of the Company dated 9 January 2019); and
- (2) the New Margin Financing Agreements dated 1 November 2021 entered into between Celestial Securities with certain connected clients, namely Dr Kwan Pak Hoo Bankee, Mr Li Shing Wai Lewis, Mr Kwan Teng Hin Jeffrey, Mr Kwok Ka Lok Lionel and Mr Cheung Wai Lim William and Cash Guardian (a controlled corporation of Dr Kwan) in relation to the grant of margin financing facility with a sum of each up to HK\$30 million for each of the three financial years ending 31 December 2024 at a rate of up to 8% over HSBC's Hong Kong Dollar Prime Lending Rate per annum under the New Margin Financing Arrangements (details as set out in this circular).

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

8. MATERIAL ADVERSE CHANGE

The Directors have 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 2020, the date to which the latest published audited financial statements of the Group were made up.

9. LITIGATION

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.

10. EXPERT, QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this 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

As at the Latest Practicable Date, Vinco Capital 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, Vinco Capital 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 2020, being the date up to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name and statements in the form and context in which it appears.

11. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cfsg.com.hk) from the period of 14 days commencing from the date of this circular:-

- (a) the New Margin Financing Agreements for each of the Connected Clients;
- (b) the New Brokerage Services Agreement; and
- (c) the letter of consent from Vinco Capital as referred to in paragraph headed “Expert, qualification and consent” in this appendix.

NOTICE OF THE SGM



CASH FINANCIAL SERVICES GROUP LIMITED

時富金融服務集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of CASH Financial Services Group Limited (“Company”) will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 16 December 2021 (Thursday) at 10:00 am for the purpose of considering and, if thought fit, passing the following resolutions (each as a separate resolution) of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**, the margin financing agreement(s) dated 1 November 2021 (“New Margin Financing Agreement(s)”) entered into between Celestial Securities Limited (“Celestial Securities”, a wholly-owned subsidiary of the Company) with each of the following connected client(s) numbered (i) to (x) (“Connected Client(s)”) in relation to the grant of margin financing facility for a sum of up to HK\$30 million for each of the three financial years ending 31 December 2024 to each of the Connected Clients (“New Margin Financing Arrangement(s)”) and the terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed and that any one director of the Company or the Company Secretary be and is hereby authorised to sign any agreements or documents and to do such things or make such arrangement(s) as they may think fit to give effect to the New Margin Financing Arrangement(s):
 - (i) Dr Kwan Pak Hoo Bankee
 - (ii) Mr Li Shing Wai Lewis
 - (iii) Mr Kwan Teng Hin Jeffrey
 - (iv) Mr Kwok Ka Lok Lionel
 - (v) Mr Cheung Wai Lim William
 - (vi) Mr Cheung Wai Ching Anthony
 - (vii) Mr Fung Ka Chi Eddie
 - (viii) Cash Guardian Limited
 - (ix) Cashflow Credit Limited
 - (x) Confident Profits Limited”

* For identification purpose only

NOTICE OF THE SGM

2. “**THAT**, the brokerage services agreement dated 1 November 2021 (“New Brokerage Services Agreement”) entered into between Celestial Securities and Celestial Commodities Limited (“Celestial Commodities”) as services providers and Confident Profits Limited (and together with its subsidiaries, “Confident Profits Group”) as client in relation to the provision of brokerage services by Celestial Securities and Celestial Commodities to the Confident Profits Group at brokerage fees with annual cap of HK\$30 million for each of the three financial years ending 31 December 2024, and the terms thereof and the transactions contemplated thereunder be and is hereby approved and confirmed and that any one director of the Company or the Company Secretary be and is hereby authorised to sign any agreements or documents and to do such things or make such arrangement(s) as they may think fit to give effect to the New Brokerage Services Agreement.”

By order of the Board
Ada S P Cheung
Company Secretary

Hong Kong, 22 November 2021

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

*Head office and principal place of business in
Hong Kong:*
22/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of two or more shares, more than one proxy to attend and vote on his behalf. A proxy needs not be a member of the Company. A form of proxy is also enclosed.
2. In order to be valid, the form of proxy must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, 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 SGM or any adjournment thereof.
3. In order to qualify for attending and voting at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 4:30 pm on 10 December 2021.
4. The votes to be taken at the meeting for the resolution(s) will be by way of poll.