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

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

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CASH 
CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

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

VINC 
Grand Vinco Capital Limited

A notice convening a special general meeting of Celestial Asia Securities Holdings Limited to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 19 March 2007 (Monday) at 9:45 am is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) in relation to the Margin Financing Arrangement (as defined herein) is set out on pages 14 to 18 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

1 March 2007

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DEFINITIONS

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

“Announcement”	the joint announcement made by the Company and CFSG on 8 February 2007 in respect of, among other things, the Margin Financing Arrangement
“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of both the Company and CFSG
“Associate(s)”	has the same meaning ascribed in the Listing Rules
“Board”	the board of Directors
“CASH Companies”	Kawoo Finance Limited and E-Tailer Holding Limited, being subsidiaries or associated companies of the Company during the period between 31 March 2004 and 31 December 2006, and are now wholly-owned subsidiaries of the Company
“Cash Guardian”	Cash Guardian Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company
“CFSG”	CASH Financial Services Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on GEM, and a non-wholly-owned subsidiary of the Company
“CFSG Group”	CFSG and its subsidiaries
“Company”	Celestial Asia Securities Holdings Limited, the ultimate controlling shareholder of CFSG, a company incorporated in Bermuda with limited liability and which securities are listed on the main board of the Stock Exchange

DEFINITIONS

“Connected Clients”	Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of the Company and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive director of the Company), Cash Guardian, a substantial shareholder of the Company, and ARTAR, a substantial shareholder of each of the Company and CFSG, and CASH Companies (wholly-owned subsidiaries of the Company)
“Connected Person”	has the meanings ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent board committee of the Company comprising the independent non-executive Directors, namely, Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin to advise the Independent Shareholders on the Margin Financing Arrangement
“Independent Financial Adviser”	Grand Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	the Shareholders other than the Connected Clients and their respective Associates
“Latest Practicable Date”	27 February 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Margin Financing Arrangement”	the granting of margin financing facility by CFSG to the Connected Clients
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Previous Assistance”	the margin financing facility previously extended by CFSG to certain Connected Clients and CASH Companies during the period between 31 March 2004 and 31 December 2006
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve the Margin Financing Arrangement
“Share(s)”	share(s) of HK\$0.10 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
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee
LAW Ping Wah Bernard
WONG Kin Yick Kenneth
LIN Che Chu George

Independent Non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

***Head Office and Principal Place
of Business:***

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

1 March 2007

To Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

INTRODUCTION

On 8 February 2007, the Board made the Announcement that, among other things, the proposed Margin Financing Arrangement with each of the Connected Clients.

As the Connected Clients are Connected Persons of the Company, the granting of the margin financing facilities by CFSG to them would constitute financial assistance for the Company under Chapter 14A of the Listing Rules. As the margin financing facility to be provided to each of the Connected Clients would exceed 2.5% of each of the percentage ratios (other than the profits ratio) under the Listing Rules and HK\$10,000,000, the financial assistance contemplated will be subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Each of the Connected Clients and their respective Associates are required to abstain from voting in respect of the resolution to approve the Margin Financing Arrangement.

LETTER FROM THE BOARD

The Independent Board Committee has been established to consider the terms of the Margin Financing Arrangement. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms and conditions of the Margin Financing Arrangement.

The purpose of this circular is to give you further information regarding the Margin Financing Arrangement and the notice of the SGM at which an ordinary resolution will be proposed to approve the Margin Financing Arrangement.

MARGIN FINANCING ARRANGEMENT

Parties to the Margin Financing Arrangement

- (a) CFSG
- (b) Connected Clients, which are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of the Company and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive director of the Company), and Cash Guardian, a substantial shareholder of the Company, and ARTAR, a substantial shareholder of each of the Company and CFSG, and CASH Companies. Each of the Connected Clients, save as CASH Companies, is a Connected Person of the Company.

Cash Guardian is an investment holding company. ARTAR is a member of a business group with major presence in Saudi Arabia. The principal activity of ARTAR is investment holding and its group is engaged in many different lines of business in Saudi Arabia, including contracting, real estate development, commodities trading, industrial development, catering, agriculture, banking, healthcare and investments in real estates, equities, bonds and other financial instruments internationally.

Margin financing facility granted

Save for the proposed margin financing arrangement with ARTAR, where a margin financing facility of up to HK\$4 billion will be extended to ARTAR for each of the three financial years ending 31 December 2009, the margin financing facility being extended to each of the other Connected Clients will be a sum of up to HK\$30 million for each of the three financial years ending 31 December 2009.

LETTER FROM THE BOARD

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

The Board considers that the granting of margin financing facilities by CFSG to its client is in the usual and ordinary course of business of CFSG. With improvements in the economy and sentiment in the securities market in Hong Kong, there has been significant increase in demand for margin financing facilities. Having considered the buoyant securities market and discussed the margin financing requirements with each of the Connected Clients, the Board considers that the proposed caps are appropriate and provide more flexibility to CFSG in conducting its margin financing business. In addition, the Board considers that the higher margin financing arrangements would also (a) provide additional interest income, and (b) strengthen the securities broking business and thereby bring strategic and marketing benefits to the CFSG Group.

In respect of ARTAR, the proposed annual cap of HK\$4 billion was determined after consultation with ARTAR with reference to the anticipated level of investment and trading in securities to be conducted by ARTAR.

Duration and terms

The Margin Financing Arrangement will have a fixed term of three financial years ending on 31 December 2009 and is conditional upon:

- (1) CFSG having obtained approval from its independent shareholders on the Margin Financing Arrangement and the margin financing facility to be extended to each of the Connected Clients at the special general meeting of CFSG convened in compliance with the GEM Listing Rules; and
- (2) the Company having obtained approval from its Independent Shareholders on the Margin Financing Arrangement and the margin financing facility to be extended to each of the Connected Clients at the SGM convened in compliance with the Listing Rules.

If the conditions above are not satisfied on or before 30 June 2007 or such later date as may be agreed between CFSG and the Connected Clients, the Margin Financing Arrangement will not proceed.

LETTER FROM THE BOARD

Other terms

CFSG will enter into written margin financing agreements on same terms and conditions as disclosed in this circular with each of the Connected Clients upon the granting of the margin financing facility to such Connected Client.

The margin financing facilities will be provided to the Connected Clients on normal commercial terms and at commercial rates which are similar to the rates offered to other margin clients.

Each of the margin financing facilities is repayable on demand and will be secured by listed securities held by the respective Connected Clients.

Reasons for the transaction

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

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

Previous Assistance

CFSG has provided margin financing facility to certain Connected Clients and CASH Companies since 2004.

CFSG has adopted a set of corporate governance principles in compliance with the code on corporate governance of the GEM Listing Rules and has established internal control systems including functions on financial control, company secretarial, legal, operation, compliance and risk management (“Operation Departments”) to monitor compliance with the code on corporate governance and the GEM Listing Rules. In case of doubt, CFSG would also seek advices from its legal and financial advisers from time to time.

LETTER FROM THE BOARD

Prior to the amendments of the Listing Rules that came into effect on 31 March 2004, the grant of financial assistance to a Connected Person was considered to be in the ordinary and usual course of business of CFSG and exempted from the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules then in effect. Pursuant to the amendments to the Listing Rules, the definition of ordinary and usual course of business as defined in Chapter 14A of the Listing Rules has been amended to include only financial assistance provided by banking companies. As a result of the amendments, the provision of margin financing by CFSG, which is not a banking institution, to Connected Persons will be subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules. The Previous Assistance has exceeded 2.5% of each of the percentage ratios (other than the profits ratio) under the Listing Rules and HK\$10,000,000 and should be subject to the reporting, announcement and Independent Shareholders' approval requirements of the Listing Rules. Due to an inadvertent oversight of the effect of the amendments, the Company did not make timely disclosure of the margin financing facilities provided to certain Connected Clients and CASH Companies and seek prior Independent Shareholders' approvals in respect of the Previous Assistance. The Directors were only aware of such breaches of the Listing Rules around the end of December 2006 and have taken immediate steps to remedy the issue with all outstanding amounts due under the Previous Assistance repaid on 31 December 2006 or fallen below the threshold of HK\$1,000,000. The Operation Departments have also been reminded of the list of Connected Persons of both CFSG and the Company and the threshold of HK\$1,000,000 that must not be exceeded for any financial assistance. The Operation Departments are now closely monitoring the margin financing facilities granted by CFSG to ensure compliance with the Listing Rules.

LETTER FROM THE BOARD

The amounts of the Previous Assistance are as follows:

Name	Closing balance as at 31 December 2006 <i>(HK'000)</i>	As at	Facility amount <i>(HK\$'000)</i>	Maximum amount during the period/year ended 31 December <i>(HK\$'000)</i>
Cash Guardian	–	31 December 2004	10,178	10,178
		31 December 2005	11,569	11,569
		31 December 2006	–	12,731
Mr Wong Kin Yick Kenneth and his Associates	648	31 December 2005	1,087	1,129
		31 December 2006	648	1,720
Kawoo Finance Limited	–	31 December 2004	1,348	4,042
		31 December 2005	–	1,260
		31 December 2006	–	31,014
E-Tailer Holding Limited	–	31 December 2004	–	5,328
		31 December 2005	–	4,497

As of 31 December 2006, all outstanding amounts of the Previous Assistance have been fully repaid or fallen below the threshold of HK\$1,000,000.

The Company acknowledges that during the period from 31 March 2004 to 28 February 2006, being the period that the amendments to the Listing Rules that came into effect on 31 March 2004, there have been incidents of non-compliance by the Company with the disclosure obligations in relation to advances to entities under Chapter 13 of the Listing Rules.

The Company confirms full compliance with the Listing Rules in respect of advances to entities since the amendments of the Listing Rules on 1 March 2006.

CFSG has established procedures to regularly monitor the utilization rates of margin financing facilities granted to customers to ensure compliance with the disclosure requirements of the GEM Listing Rules. Operation personnel were also informed of the applicable threshold for the purpose of disclosure. The Company will comply with the disclosure obligations under Chapter 13 of the Listing Rules for advances to entities and the margin financing facility proposed to be granted to ARTAR.

LETTER FROM THE BOARD

GENERAL

The Company is principally engaged in the (a) financial services provided via CFSG including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance, other financial services and online game services; (b) retailing of furniture and household items and trendy digital products; and (c) investment holding.

CFSG is principally engaged in the provision of (a) online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance; (d) other financial services; and (e) online game services.

As each of the Connected Clients (save as CASH Companies) is a Connected Person of the Company, the granting of the margin financing facilities to the Connected Clients would constitute financial assistance under Chapter 14A of the Listing Rules. As each of the margin financing facilities to be granted would exceed 2.5% of each of the percentage ratios (other than the profits ratio) under the Listing Rules and HK\$10,000,000, the financial assistance to be provided by CFSG to the Connected Clients will be subject to the Independent Shareholders' approval requirements under the Listing Rules for the Company.

The Independent Board Committee has been formed to advise the Independent Shareholders of the terms of the Margin Financing Arrangement. The Company has appointed Grand Vinco Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Margin Financing Arrangement.

The resolution to be proposed at the SGM for approving the Margin Financing Arrangement will be taken by poll where each of the Connected Clients (including ARTAR and Cash Guardian) and their respective Associates will abstain from voting.

SGM

Set out on pages 26 to 27 of this circular is a notice convening the SGM to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong at 9:45 am on 19 March 2007 at which an ordinary resolution will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of the Margin Financing Arrangement by poll, to which each of the Connected Persons and their respective Associates are required to abstain from voting in accordance with the Listing Rules.

LETTER FROM THE BOARD

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. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish.

PROCEDURE TO DEMAND A POLL BY SHAREHOLDERS

Shareholders may demand a resolution to be taken by poll if:

- (1) the demand is raised before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll; and
- (2) the demand is made by:
 - (a) Chairman of the meeting; or
 - (b) at least 3 registered Shareholders (as represented personally, or by proxy, or by corporate representative) entitled to vote at the meeting; or
 - (c) a registered Shareholder or registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) representing not less than 10% of the total voting rights of all Shares in issue that entitle the holders to vote at the meeting; or
 - (d) a registered Shareholder or registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

In relation to the Margin Financing Arrangement, your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 13 to 18 of this circular. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that the terms of the Margin Financing Arrangement are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole, and it therefore recommends the Independent Shareholders to vote in favour of the resolution above relating to the Margin Financing Arrangement at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the general information on the Group as set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CASH

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

1 March 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

We refer to the circular dated 1 March 2007 of the Company (“Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider the terms of the Margin Financing Arrangement, and to advise the Independent Shareholders whether, in our opinion, the terms of the Margin Financing Arrangement are fair and reasonable so far as the Independent Shareholders as a whole are concerned and is in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Margin Financing Arrangement.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular which contains, inter alia, information on the Margin Financing Arrangement and the letter from the Independent Financial Adviser set out on pages 14 to 18 of the Circular which contains its advice in respect of the terms of the Margin Financing Arrangement.

Having taken into account the advice of the Independent Financial Adviser, we consider that the terms of the Margin Financing Arrangement are fair and reasonable so far as the Independent Shareholders are concerned as a whole and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution above to be proposed at the SGM to approve the Margin Financing Arrangement.

Yours faithfully

Independent Board Committee

Leung Ka Kui Johnny

Wong Chuk Yan

Chan Hak Sin

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in respect of the Margin Financing Arrangement prepared for the purpose of incorporation in this circular.



Grand Vinco Capital Limited

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

1 March 2007

The Independent Board Committee and the Independent Shareholders

Celestial Asia Securities Holdings Limited

21/F The Center

99 Queen's Road Central

Hong Kong

Dear Sirs,

CONNECTED TRANSACTIONS FINANCIAL ASSISTANCE

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Margin Financing Arrangement contemplated thereunder, details of which are set out in the "Letter from the Board" on page 4 to 12 of the circular of the Company dated 1 March 2007 ("Circular") to the Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Company and CFSG jointly announced the proposed Margin Financing Arrangement for the Connected Clients on 8 February 2007, pursuant to which CFSG agreed to provide (i) a margin financing facility to ARTAR up to HK\$4 billion for each of the three financial years ending 31 December 2009; and (ii) margin financing facility to each of the other Connected Clients a sum of up to HK\$30 million for each of the three financial years ending 31 December 2009 (collectively the "Facilities").

The Connected Clients are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of the Company and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive Director of the Company), and Cash Guardian (a substantial shareholder of the Company), and ARTAR (a substantial shareholder of each of the Company and CFSG), and CASH Companies (wholly-owned subsidiaries of the Company). Each of the Connected Clients, save as CASH Companies, is a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

connected person of the Company. The Margin Financing Arrangement constitutes connected transactions on the part of the Company under the Listing Rules. As each of the Facilities to be granted would exceed 2.5% of each of the percentage ratios (other than the profit ratio) under the Listing Rules and HK\$10,000,000, the financial assistance to be provided by the Company to the Connected Clients will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Connected Clients, including ARTAR and Cash Guardian, and their respective Associates will abstain from voting in respect of the proposed resolution approving the Margin Financing Arrangement at the SGM.

The Independent Board Committee comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Margin Financing Arrangement. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Margin Financing Arrangement, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We are not aware that any statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were untrue and incorrect in any respect at the time they were made and continued to be so as at the date of despatch of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and are not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent in-depth investigation into the affairs of the Company and its subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BACKGROUND OF THE CONNECTED TRANSACTION

On 8 February 2007, the Directors announced the proposed Margin Financing Arrangement for the Connected Clients, pursuant to which CFSG agreed to extend (i) a margin financing facility to ARTAR up to HK\$4 billion for each of the three financial years ending 31 December 2009; and (ii) margin financing facility to each of the other Connected Clients a sum of up to HK\$30 million for each of the three financial years ending 31 December 2009.

Since the Connected Clients are the Connected Persons of the Company, the Margin Financing Arrangement constitutes connected transactions on the part of the Company under the Listing Rules. As each of the Facilities to be granted would exceed 2.5% of each of the percentage ratios (other than the profit ratio) under the Listing Rules and HK\$10,000,000, the financial assistance to be provided by the Company to the Connected Clients will be subject to, among other things, the approval of the Independent Shareholders at the SGM by way of poll. The Connected Clients, including ARTAR and Cash Guardian, and their respective Associates will abstain from voting in respect of the proposed resolution approving the Margin Financing Arrangement at the SGM under the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

The Group is principally engaged in the (a) financial services provided via CFSG (the Company holds in aggregate 638,827,434 shares of CFSG, representing approximately 46.22% of the entire issued capital of CFSG) including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance, other financial services and online game business; (b) retailing of furniture and household items and trendy digital products; and (c) investment holding.

Regarding the financial services provided by CFSG, margin financing has been a stable source of revenue to the CFSG's consolidated accounts. According to the audited accounts of CFSG for the 2 years ended 31 December 2005, financing (including margin financing and money lending services) has contributed approximately 12.19% and 16.31% to the revenue of CFSG. According to the unaudited financial statement of CFSG, for the 6-month period ended 30 June 2006, financing (including margin financing and money lending services) has contributed approximately 19.84% to CFSG's total revenue. Therefore, the margin financing activity has become more important source of revenue to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the market condition of margin financing, there were significant improvements in the economy and sentiment in the securities market in Hong Kong, where there has been a steady increase in the trading volume for the listed securities on the Stock Exchange (“Trading Volume”). The value of Trading Volume for 4 years ended 31 December 2006 are set out as below:

For the year ended 31 December	Total trading value in HK\$ (HK\$'billion)	Growth/(loss) from last year (approximately %)
2003	2,546	59.20
2004	3,948	55.10
2005	4,498	13.92
2006	8,333	85.25
Average		<u>53.37</u>

Source: The website of the Stock Exchange

As shown on the above chart, the Trading Volume had surged during past 4 years with an average annual growth rate of 53.37%. As such, the Directors consider that the provision of Facilities to the Connected Clients will provide additional interest income and strengthen the securities broking services to CFSG and thus the Group. We are of the view that the entering into the Margin Financing Arrangement is in the interests of the Company and the Shareholders as a whole.

The Facilities to be granted to the Connected Clients, as confirmed by the Directors, will be based on the existing internal policies and procedures. The terms and conditions of the Facilities to be granted to the Connected Clients will be no more favourable than the existing clients of CFSG, including but not limited to (i) the Facilities will be provided to the Connected Clients on normal commercial terms and at commercial rates which are similar to the rates offered to other margin clients; and (ii) each of the Facilities is repayable on demand and will be secured by listed securities held by the respective Connected Clients. The Facilities limits to be imposed on the Connected Clients, as confirmed by the Directors, will be based on internal credit assessment which applies on the existing clients of CFSG. Therefore, we are of the view that the terms on the Margin Financing Arrangement are fair and reasonable to the Company and the Shareholders as whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) margin financing is in the ordinary and usual course of business of the Group; (ii) the rising securities trading volume and demand for margin financing; and (iii) the Facilities to be granted to the Connected Clients are no more favourable than to the other clients of the Group, we are of the view that the Margin Financing Arrangement is fair and reasonable to the Company and to the Shareholders, and is in the interest to the Company and the Shareholders as a whole.

FINANCIAL EFFECT ON THE GROUP

Upon the provision of facilities to the Connected Clients, if approved by the Independent Shareholders, there is no immediate effect on the Group's net asset value, profit and working capital.

RECOMMENDATION

Having considered the following principal factors and reasons, in particular,

- (i) the provision of margin financing services is in the ordinary and usual course of business of the Group;
- (ii) the Margin Financing Arrangement will enable the Group to capture additional interest income given the rising Trading Volume in the securities market;
- (iii) the terms of the Facilities to be granted to the Connected Clients, upon the Independent Shareholders' approval, are no more favourable than to the other clients of the Group; and
- (iv) there being no immediate effect on the Group's net asset value, profit and working capital,

we are of the opinion that the Margin Financing Arrangement is in the interest to the Company and the Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. Therefore, we advise the Independent Board Committee and the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM approving the Margin Financing Arrangement.

Yours faithfully

For and on behalf of

Grand Vinco Capital Limited

Alister Chung

Managing Director

Ivan Chan

Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A. The Company

1. Long positions in the ordinary Shares

Name	Capacity	Number of Shares		
		Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	246,042,564 *	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.16
		<u>7,644,300</u>	<u>246,042,564</u>	<u>38.65</u>

* The Shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the section headed “substantial Shareholders” below.

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

Name	Date of grant	Exercise period	Exercise price per Share (HK\$)	Number of options outstanding	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
				<u>16,000,000</u>	<u>2.44</u>

B. **Associated corporations (within the meaning of the SFO)**

CFSG

(a) *Long positions in the ordinary shares*

Name	Capacity	Number of shares		
		Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	679,219,434 *	49.15
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Wong Kin Yick Kenneth	Beneficial owner	9,860,000	–	0.71
Lin Che Chu George	Beneficial owner	280,000	–	0.02
		<u>27,404,000</u>	<u>679,219,434</u>	<u>51.13</u>

* The shares were held as to 40,392,000 shares by Cash Guardian and as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of the Company. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in the section headed “Substantial Shareholders” below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options outstanding	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Law Ping Wah Bernard	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Wong Kin Yick Kenneth	7/7/2006	7/7/2006 – 31/7/2008	0.296	6,000,000	0.43
Lin Che Chu George	7/7/2006	7/7/2006 – 31/7/2008	0.296	13,800,000	0.99
				31,800,000	2.28

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

3. SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity	Number of Shares	Shareholding (%)
Jeffnet Inc (“Jeffnet”) (Note 1)	Trustee of a discretionary trust	246,042,564	37.49
Cash Guardian (Note 1)	Beneficial owner	246,042,564	37.49
Mr Al-Rashid, Abdulrahman Saad (“Mr Al-Rashid”) (Note 2)	Interest in a controlled corporation	108,000,000	16.46
Abdulrahman Saad Al-Rashid & Sons Company Limited (“ARTAR”) (Note 2)	Beneficial owner	108,000,000	16.46

Notes:

- (1) This refers to the same number of Shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee and Jeffnet were deemed to be interested in the Shares held by Cash Guardian.
- (2) This refers to the same number of Shares were held by ARTAR, which was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the Shares held by ARTAR.

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

4. SERVICE CONTRACT

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

5. COMPETING INTEREST

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

6. EXPERTS

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

Name	Qualification
Grand Vinco Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not interested beneficially in the Shares or shares in its subsidiaries and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for Shares or shares in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2005, being the date up to which the latest published audited consolidated accounts of the Company were made up.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and reference to its name in the form and context in which it appears.

7. LITIGATION

- (a) In June 2005, Theodore J Marr (“Marr”) filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr’s claims in the cross-summons against the Company included US\$900,000 arising out of an employment contract between Marr and ILUX Corporation (“ILUX”), a subsidiary of the Company, US\$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US\$5,000,000 in respect of each of Marr’s causes of action against the cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr’s other causes of action against the Company.
- (b) On 11 May 2006, Hallmark Cards, Incorporated (“Petitioner”) filed a petition for a winding-up order against Cosmos Global Limited (“CGL”), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US\$41,591.23 and interest accrued thereon. A winding up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.

- (c) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited (“CISI”), a non-wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK\$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

- (d) On 29 August 2002, Pang Po King Cannie (“Pang”) filed a statement of claim against CSL, a non-wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,406,000 shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. The Directors do not envisage that the claim by Pang will be held valid. The case was in progress and it was in the discovery stage as at the Latest Practicable Date.

Save as disclosed above, 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.

8. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Company since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up).

9. INTEREST OF DIRECTORS IN GROUP'S ASSETS

- (i) Save as Netfield Technology Limited and its subsidiaries which were acquired by the CFSG Group from Mr Lin Che Chu George (who was then an independent third person and was not a Connected Person of CFSG or the Company prior to such acquisition by CFSG), since 31 December 2005 (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.
- (ii) No Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. INTERESTS OF DIRECTORS IN CONTRACTS

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.

11. MISCELLANEOUS

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any day up to the holding of the SGM:–

- (a) the letter from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 18 of this circular; and
- (c) the consent letter from the Independent Financial Adviser as referred to in paragraph 6 above.

NOTICE OF SGM



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Celestial Asia Securities Holdings Limited (“Company”) will be held at 21/F The Center, 99 Queen’s Road Central, Hong Kong on 19 March 2007 (Monday) at 9:45 am for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**, the transactions contemplated under the Margin Financing Arrangement (as defined in the circular of the Company dated 1 March 2007 (“Circular”), a copy of which was marked “A” and has produced to the Meeting and signed by the Chairman thereof for the purpose of identification), in respect of a margin financing facility of up to HK\$4 billion to be extended to ARTAR (as defined in the Circular) and the margin financing facilities of up to HK\$30 million to be extended to each of the other Connected Clients (as defined in the Circular) by CASH Financial Services Group Limited (“CFSG”) (a non-wholly-owned subsidiary of the Company) for each of the three financing years ending 31 December 2009 be and are hereby approved and the directors of the Company and/or CFSG be and are hereby authorised to sign any documents and do such things or make such arrangement as they may think fit to give effect to the Margin Financing Arrangement.”

By order of the Board

Suzanne W S Luke

Company Secretary

Hong Kong, 1 March 2007

NOTICE OF SGM

Head Office and Principal place

of business in Hong Kong:

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

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed for the meeting.
2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.