
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Celestial Asia Securities Holdings Limited, you should at once hand this circular 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)

**DISCLOSEABLE TRANSACTION
DISPOSALS OF SHARE INVESTMENT**

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DEFINITIONS

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

“Announcement”	the announcement made by the Company on 7 March 2007 in respect of, among other things, the Disposal
“associates”	has the same meaning ascribed in the Listing Rules
“Board”	the board of the Directors
“CIGL”	Celestial Investment Group Limited, a wholly-owned subsidiary of the Company
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company listed on the main board of the Stock Exchange
“CRMG”	CASH Retail Management Group Limited (stock code: 996), a company listed on the main board of the Stock Exchange
“CRMG Group”	CRMG and its subsidiaries
“CRMG Shares”	shares of HK\$0.02 each in the share capital of CRMG
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by CIGL to the Purchaser at the Sale Price on the Sale Date
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	23 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	the Purchaser of the Sale Shares who is a third party independent of the Company and connected person (as defined under the Listing Rules) of the Company

DEFINITIONS

“Sale Date”	the date of the Disposal, being 6 March 2007
“Sale Price”	the sale price of HK\$0.21 per Sale Share
“Sale Shares”	50,000,000 existing CRMG Shares
“Second Announcement”	the announcement issued by the Company on 13 March 2007 in respect of, among other things, the Second Disposal
“Second Disposal”	the disposal of the Second Sale Shares by CIGL and its subsidiaries to the Second Purchaser at the Second Sale Price on the Second Sale Date
“Second Purchaser”	the Second Purchaser of the Second Sale Shares who is a third party independent of the Company and connected person (as defined under the Listing Rules) of the Company. The Second Purchaser is not the same person as the Purchaser in respect of the Disposal
“Second Sale Date”	the date of the Second Disposal, being 12 March 2007
“Second Sale Price”	the sale price of HK\$0.21 per Sale Share
“Second Sale Share(s)”	44,062,500 existing CRMG Shares
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong

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

Principal place of business

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

29 March 2007

To Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION DISPOSALS OF SHARE INVESTMENT

INTRODUCTION

By the Announcement and the Second Announcement, the Board announced for the Disposal and the Second Disposal respectively in respect of the disposal for an aggregate of approximately 7.89% equity interest in CRMG. The Disposal, when aggregated with the Second Disposal, still constitute a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to give you further information regarding the Disposal and the Second Disposal.

LETTER FROM THE BOARD

THE DISPOSAL

On 6 March 2007, CIGL (a wholly-owned subsidiary of the Company) sold to the Purchaser the Sale Shares at the following terms:

Sale Date:	6 March 2007
Sale Shares:	50,000,000 existing CRMG Shares, being around 4.19% of the entire issued share capital of CRMG
Seller:	CIGL, a wholly-owned subsidiary of the Company, and together with its subsidiaries were, before the Disposal taking place, altogether holding 94,062,500 CRMG Shares (being around 7.89% equity interest in CRMG).
Purchaser:	The Purchaser is an individual investor. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Purchaser is third party independent of the Company and connected person (as defined under the Listing Rules) of the Company.
Sale Price:	HK\$0.21 per Sale Share in cash having been settled on the Sale Date. The total consideration for the Sale Shares is HK\$10,500,000.

The Sale Price represents a premium of approximately 4.5% over the closing price of the CRMG Shares immediately preceding the Sale Date of HK\$0.201 and a discount of approximately 18.0% to the 5-day average closing price of the CRMG Shares immediately preceding the Sale Date of HK\$0.256. The Sale Price also represents a discount of 44.7% to the closing price of HK\$0.38 per CRMG Share on the Latest Practicable Date.

The Sale Price was determined between CIGL and the Purchaser on an arm's length basis with reference to the then current market price of the CRMG Shares. In view of the downturn of the current stock market and the premium of the Sale Price over the market price immediately preceding the Sale Date as mentioned above, the Board considers that the Sale Price is fair and reasonable.

Completion:	There was no condition precedent to the Disposal. The Disposal was completed on the Sale Date.
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LETTER FROM THE BOARD

THE SECOND DISPOSAL

On 12 March 2007, CIGL (a wholly-owned subsidiary of the Company) and its subsidiaries sold to the Second Purchaser the Second Sale Shares at the following terms:

- Second Sale Date: 12 March 2007
- Second Sale Shares: 44,062,500 existing CRMG Shares, being around 3.70% of the entire issued share capital of CRMG
- Seller: CIGL, a wholly-owned subsidiary of the Company, and together with its subsidiaries were, after the Disposal and before the Second Disposal taking place, altogether holding 44,062,500 CRMG Shares (being around 3.70% equity interest in CRMG).
- Second Purchaser: The Second Purchaser is an individual investor and is not the same Purchaser in respect of the Disposal. To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Second Purchaser is third party independent of the Company and connected person (as defined under the Listing Rules) of the Company.
- Second Sale Price: HK\$0.21 per Sale Share in cash having been settled on the Second Sale Date. The total consideration for the Second Sale Shares is HK\$9,253,125.

The Second Sale Price represents a premium of approximately 6.6% over the closing price of the CRMG Shares immediately preceding the Second Sale Date of HK\$0.197 and a premium of approximately 4.0% over the 5-day average closing price of the CRMG Shares immediately preceding the Second Sale Date of HK\$0.202. The Sale Price also represents a discount of 44.7% to the closing price of HK\$0.38 per CRMG Share on the Latest Practicable Date.

The Second Sale Price was determined between CIGL and the Second Purchaser on an arm's length basis with reference to the then current market price of the CRMG Shares. In view of the downturn of the current stock market and the premium of the Second Sale Price over the market price preceding the Second Sale Date as mentioned above, the Board considers that the Second Sale Price is fair and reasonable.

LETTER FROM THE BOARD

Completion: There was no condition precedent to the Second Disposal. The Second Disposal was completed on the Second Sale Date.

INFORMATION ON THE GROUP

The Group is principally engaged in the (a) financial services provided via CASH Financial Services Group Limited (stock code: 8122) 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.

INFORMATION ON CRMG

The CRMG Group is mainly engaged in department store business and the provision of retail management services such as development planning advisory and marketing services.

REASONS FOR THE DISPOSAL AND THE SECOND DISPOSAL AND USE OF PROCEEDS

Before the Disposal and the Second Disposal, the Group was holding around 7.89% shareholding interest in CRMG as share investment. Having considering the downturn of the current stock market in Hong Kong and the prices of the Sale Shares and the Second Sale Shares offered by the Purchaser and the Second Purchaser respectively, the Board considers that the terms of the Disposal and the Second Disposal are fair and reasonable and it is an opportunity for the Group to realise all its investment in CRMG. The Group was not hold any shareholding interest in CRMG after the Disposal and the Second Disposal.

The proceeds from the Disposal and the Second Disposal will also enable the Group to settle part of the balance of the consideration for the acquisition of the Hong Kong retail business (as announced by the Company on 21 February 2006) and for working capital of the Group. The Board considers that the terms of the Disposal and the Second Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The book value of the Sale Shares represented in the accounts of the Group is around HK\$17.8 million as at the Sale Date. The Disposal will result in a loss before taxation for the Group of around HK\$7.3 million which will be reported in the financial results of the Group for the current financial year.

LETTER FROM THE BOARD

The book value of the Second Sale Shares represented in the accounts of the Group is around HK\$15.6 million as at the Second Sale Date. The Second Disposal will result in a loss before taxation for the Group of around HK\$6.4 million which will be reported in the financial results of the Group for the current financial year.

FINANCIAL INFORMATION OF CRMG

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the CRMG Group for the year ended 31 December 2005 were both around HK\$76.6 million. The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the CRMG Group for the year ended 31 December 2004 were both around HK\$85.4 million. The audited consolidated net assets of the CRMG Group, as at 31 December 2005 and 31 December 2004 were around HK\$240.7 million and HK\$143.8 million respectively. The unaudited consolidated net assets of the CRMG Group as at 30 June 2006 were around HK\$223.0 million.

EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Earnings

After the Disposal, the earnings of the Group were reduced by the loss of around HK\$7.3 million as a result of the Disposal.

Assets and liabilities

After the Disposal, the assets of the Group were reduced by the loss of around HK\$7.3 million as a result of the Disposal. There was no effect of the Disposal on the liabilities of the Group.

EFFECTS OF THE SECOND DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Earnings

After the Second Disposal, the earnings of the Group were reduced by the loss of around HK\$6.4 million as a result of the Second Disposal.

LETTER FROM THE BOARD

Assets and liabilities

After the Second Disposal, the assets of the Group were reduced by the loss of around HK\$6.4 million as a result of the Second Disposal. There was no effect of the Second Disposal on the liabilities of the Group.

GENERAL

Under the Listing Rules, the Disposal, when aggregated with the Second Disposal, still constitute a discloseable transaction of the Company.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix to this circular.

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

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 in, underlying shares in 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		Shareholding (%)
		Personal	Other interest	
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 Limited ("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)**

CASH Financial Services Group Limited

(a) *Long positions in the ordinary shares*

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
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
				<u>31,800,000</u>	<u>2.28</u>

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 Shares and underlying Shares in the Company 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. 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.

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 determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. 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 Celestial Securities Limited (“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.

7. MISCELLANEOUS

- (a) The qualified accountant of the Company is Mr Yuen Pak Lau Raymond, a fellow member of Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.
- (b) The secretary of the Company is Ms Luke Wing Sheung Suzanne, a fellow member of the Institute of Chartered Secretaries and Administrators.
- (c) The head office and the principal place of business of the Company in Hong Kong are at 21/F The Center, 99 Queen's Road Central, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The principal share registrars and transfer office of the Company in Bermuda are The Bank of Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong are Standard Registrars Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.