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**CASH FINANCIAL SERVICES
GROUP LIMITED**

(incorporated in Bermuda with limited liability)
(Stock code: 8122)



**CELESTIAL ASIA SECURITIES
HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)
(Stock code: 1049)

**JOINT ANNOUNCEMENT
Connected Transactions – Financial Assistance**

The CASH Board and the CFSG Board wish to seek approvals from the Independent Shareholders on the provision by CFSG of margin financing facilities to the Connected Clients.

As the Connected Clients are connected persons of CASH and CFSG, the granting of the margin financing facilities by CFSG to them would constitute financial assistance for CASH and CFSG under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively. 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 the GEM Listing Rules respectively 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 and the GEM Listing Rules for CASH and CFSG, respectively.

An independent board committee will be formed by each of CASH and CFSG to advise the Independent Shareholders of the terms of the Margin Financing Arrangement. Each of CASH and CFSG will appoint an independent financial adviser to advise their respective Independent Board Committees and the Independent Shareholders on the terms and conditions of the Margin Financing Arrangement.

Circulars of CASH and CFSG containing, inter-alia, details of the Margin Financing Arrangement, a letter from each of the independent financial adviser appointed by CASH and CFSG to advise their respective Independent Board Committees and Independent Shareholders and notices to convene the Special General Meeting for each of CASH and CFSG will be dispatched to their respective shareholders as soon as practicable.

CASH and CFSG also wish to inform their respective shareholders that the Previous Assistance has exceeded 2.5% of each of the percentage ratios (other than the profits ratio) under the Listing Rules and the GEM Listing Rules respectively and HK\$10,000,000 and was not in strict compliance with the reporting, announcements and independent shareholders' approval requirements of the Listing Rules and the GEM Listing Rules. As of 31 December 2006, all outstanding amounts due from the relevant Connected Clients and CASH Companies to CFSG under the Previous Assistance have been fully repaid or fallen below the threshold of HK\$1,000,000.

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 CASH and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive director of CASH), and Cash Guardian, a substantial shareholder of CASH, and ARTAR, a substantial shareholder of each of CASH and CFSG, and CASH Companies. Each of the Connected Clients, save as CASH Companies, is connected person of each of CASH and CFSG. CASH Companies are connected persons of CFSG.

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.

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 CASH Board and the CFSG Board consider 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 CASH Board and the CFSG Board consider that the proposed caps are appropriate and provide more flexibility to CFSG in conducting its margin financing business. In addition, the CASH Board and the CFSG Board consider 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 convened in compliance with the GEM Listing Rules; and
- (2) CASH 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 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.

Other terms

CFSG will enter into written margin financing agreements on same terms and conditions as disclosed in this announcement 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 CASH Board and the CFSG Board consider 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 CASH Directors and the CFSG Directors (including the respective independent non-executive directors of CASH and CFSG) consider that the terms of the Margin Financing Arrangement are fair and reasonable so far as CASH and CFSG 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 advises from its legal and financial advisers from time to time.

Prior to the amendments of the Listing Rules and the GEM 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 and the GEM Listing Rules then in effect respectively. Pursuant to the amendments to the Listing Rules and the GEM Listing Rules, the definition of ordinary and usual course of business as defined in Chapter 14A of the Listing Rules and Chapter 20 of the GEM 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 and the GEM 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 the GEM Listing Rules respectively and HK\$10,000,000 and should be subject to the reporting, announcement and Independent Shareholders’ approval requirements of the Listing Rules and the GEM Listing Rules. Due to an inadvertent oversight of the effect of the amendments, CASH and CFSG 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 CASH Directors and the CFSG Directors were only aware of such breaches of the Listing Rules and the GEM 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 CASH 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 GEM Listing Rules.

The amounts of the Previous Assistance are as follows:

Name	Closing balance as at 31 December 2006 (HK\$'000)	As at	Facility amount (HK\$'000)	Maximum amount during the period/ year ended 31 December (HK\$'000)
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.

CASH and CFSG acknowledge that during the period from 31 March 2004 to 28 February 2006, being the period that the amendments to the Listing Rules and the GEM Listing Rules that came into effect on 31 March 2004, there have been incidents of non-compliance by CASH and CFSG with the disclosure obligations in relation to advances to entities under Chapter 13 and Chapter 17 of the Listing Rules and the GEM Listing Rules respectively.

CASH and CFSG confirm full compliance with the Listing Rules and the GEM Listing Rules in respect of advances to entities since the amendments of the Listing Rules and the GEM 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. CASH and CFSG will comply with their respective disclosure obligations under Chapter 13 of the Listing Rules and Chapter 17 of the GEM Listing Rules for advances to entities and the margin financing facility proposed to be granted to ARTAR.

GENERAL

CASH 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 is a connected person, the granting of the margin financing facilities to the Connected Clients would constitute financial assistance under Chapter 14A of the Listing Rules and Chapter 20 of the GEM 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 the GEM Listing Rules respectively and HK\$10,000,000, the financial assistance to be provided by CFSG to the Connected Clients is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules and the GEM Listing Rules for CASH and CFSG, respectively.

An independent board committee will be formed by each of CASH and CFSG to advise the Independent Shareholders of the terms of the Margin Financing Arrangement. Each of CASH and CFSG will appoint an independent financial adviser to advise their respective Independent Board Committees and the Independent Shareholders on the terms and conditions of the Margin Financing Arrangement. The resolutions to be proposed at the respective Special General Meeting of CASH and CFSG 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.

Circulars of CASH and CFSG containing, inter-alia, the details of the Margin Financing Arrangement, a letter from each of the independent financial adviser appointed by CASH and CFSG to advise their respective Independent Board Committees and Independent Shareholders and notices to convene the Special General Meeting for each of CASH and CFSG will be dispatched to their respective shareholders as soon as practicable.

DEFINITIONS

“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial shareholder of both CASH and CFSG
“associate”	has the same meaning ascribed in the GEM Listing Rules and the Listing Rules
“CASH”	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

“CASH Board”	the board of directors of CASH
“CASH Companies”	Kawoo Finance Limited and E-Tailer Holding Limited, being subsidiaries or associated companies of CASH during the period between 31 March 2004 and 31 December 2006, and are now wholly-owned subsidiaries of CASH, which are connected person of CFSG
“CASH Directors”	the directors of CASH
“CASH Group”	CASH and its subsidiaries
“Cash Guardian”	Cash Guardian Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of CASH
“CFSG”	CASH Financial Services Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on GEM
“CFSG Board”	the board of directors of CFSG
“CFSG Directors”	the directors of CFSG
“CFSG Group	CFSG and its subsidiaries
“Connected Clients”	Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth (the executive directors of each of CASH and CFSG), Mr Cheng Man Pan Ben (an executive director of CFSG) and Mr Lin Che Chu George (an executive director of CASH), Cash Guardian, a substantial shareholder of CASH, and ARTAR, a substantial shareholder of each of CASH and CFSG, and CASH Companies
“connected person”	has the meanings ascribed to it under the Listing Rules or the GEM Listing Rules, as the case may be
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Independent Board Committee”	in respect of CASH, an independent board committee of the CASH Board and in respect of CFSG, an independent board committee of the CFSG Board to be established to advise the Independent Shareholders on the Margin Financing Arrangement
“Independent Shareholders”	in respect of CASH, the shareholders of CASH other than the Connected Clients and their respective associates and in respect of CFSG, the shareholders of CFSG other than CASH and the Connected Clients and their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Special General Meeting”	the special general meeting of CASH or CFSG (as the case may be) to be held to approve the Margin Financing Arrangement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meanings ascribed to it under the Listing Rules or the GEM Listing Rules (as the case may be)
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong
“%”	per cent

On behalf of the CFSG Board
Bernard P Law
Director

On behalf of the CASH Board
Bankee P Kwan
Chairman

Hong Kong, 8 February 2007

As at the date hereof, the executive directors of CFSG are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Cheng Man Pan Ben, and the independent non-executive directors of CFSG are Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John.

As at the date hereof, the executive directors of CASH are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Lin Che Chu George, and the independent non-executive directors of CASH are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.

This announcement, for which the directors of CFSG collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to CFSG. The directors of CFSG, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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