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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in 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, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1049)

CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
MARGIN FINANCING ARRANGEMENT  
AND  
NOTICE OF SPECIAL GENERAL MEETING

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



DL Securities (HK) Limited

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

A letter from the Independent Board Committee containing its advice to the Independent Shareholders in relation to the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder is set out on pages 14 to 15 of this circular. A letter from DL Securities containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the aforesaid Margin Financing Agreements and the annual caps and the transactions contemplated thereunder is set out on pages 16 to 26 of this circular.

A notice convening the SGM of Celestial Asia Securities Holdings Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 29 March 2023 (Wednesday) at 10:30 am is set out on pages 33 to 34 of this circular. If you are unable 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 no later 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 or any adjourned meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

\* For identification purpose only

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## PRECAUTIONARY MEASURES FOR THE SGM

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

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

- (a) every Shareholder or proxy is required to **sterilise their hands with hand sanitiser** and register at the counter at the entrance of the venue;
- (b) no distribution of corporate gifts and no refreshments will be served.

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## DEFINITIONS

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

|                        |   |
|------------------------|---|
| “Announcement”         | the announcement jointly made by the Company and CFSG on 20 February 2023 in respect of, inter alia, the entering into of the Margin Financing Agreements   |
| “associate”            | has the same meaning ascribed in the Listing Rules  |
| “Board”                | the board of directors of the Company   |
| “Cash Guardian”        | Cash Guardian Limited, a company incorporated in the British Virgin Islands and indirectly wholly-owned by Dr Kwan Pak Hoo Bankee   |
| “Cashflow Credit”      | Cashflow Credit Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company  |
| “Celestial Securities” | Celestial Securities Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of CFSG and a subsidiary of the Company held through CFSG   |
| “CFSG”                 | CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange, and is a 60.49%-owned listed subsidiary of the Company |
| “CFSG Group”           | CFSG and its subsidiaries   |
| “CFSG SGM”             | the special general meeting of CFSG to be held on 29 March 2023 (Wednesday) at 10:00 am to approve, inter alia, the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder                                  |
| “Company”              | Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange, and the holding company of CFSG                  |
| “Connected Client(s)”  | Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James, Mr Kwan Teng Hin Jeffrey and Cash Guardian, the particulars of which are set out in the section headed “The Margin Financing Agreements” in this circular  |

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## DEFINITIONS

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|--|---|
| “connected person(s)”                              | has the same meaning ascribed in the Listing Rules  |
| “controlling shareholder(s)”                       | has the same meaning ascribed in the Listing Rules  |
| “Directors”  | the directors of the Company  |
| “Group”  | the Company and its subsidiaries  |
| “Independent Board Committee”                      | an independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, which has been established to advise the Independent Shareholders on the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder   |
| “Independent Financial Adviser” or “DL Securities” | DL Securities (HK) Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder |
| “Independent Shareholder(s)”                       | the Shareholders, other than any Connected Client(s) and their respective associate(s) who are the Shareholder(s) and are interested in their respective Margin Financing Agreement(s), as set out under the heading of “The SGM” in the letter from the Board  |
| “Latest Practicable Date”                          | 8 March 2023, being the latest practicable date prior to the printing of this circular  |
| “Listing Rules”                                    | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “Margin Financing Agreements”                      | the margin financing agreements dated 20 February 2023 entered into between Celestial Securities with each of the Connected Clients relating to the Margin Financing Arrangements   |
| “Margin Financing Arrangement(s)”                  | the granting of margin financing facility by Celestial Securities to the Connected Clients pursuant to the Margin Financing Agreements  |

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## DEFINITIONS

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|--|---|
| “Model Code”                               | the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules  |
| “Previous Margin Financing Arrangement(s)” | has the meaning ascribed to it in the section headed “The Previous Margin Financing Arrangements” in this circular  |
| “SFO”                                      | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “SGM”                                      | the special general meeting of the Company to be held on 29 March 2023 (Wednesday) at 10:30 am to approve the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder, notice of which is set out on pages 33 to 34 of this circular |
| “Share(s)”                                 | share(s) of HK\$0.20 each in the share capital of the Company   |
| “Shareholder(s)”                           | holder(s) of the Share(s)   |
| “Stock Exchange”                           | The Stock Exchange of Hong Kong Limited   |
| “substantial shareholder”                  | has the meanings ascribed to it under the Listing Rules   |
| “HK\$”                                     | Hong Kong dollar(s), the currency of Hong Kong  |
| “%”  | per cent  |

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

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LETTER FROM THE BOARD

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**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**

**時富投資集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1049)**

***Board of directors:***

***Executive directors:***

KWAN Pak Hoo Bankee  
LEUNG Siu Pong James  
LI Shing Wai Lewis  
KWAN Teng Hin Jeffrey

***Independent non-executive directors:***

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:***

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

13 March 2023

*To the Shareholders*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
MARGIN FINANCING ARRANGEMENT**

**INTRODUCTION**

Reference is made to the Announcement dated 20 February 2023 in relation to, inter alia, the entering into of the Margin Financing Agreements on 20 February 2023.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### The Margin Financing Agreements

As (i) each of Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey is a Director; and (ii) Cash Guardian is indirectly wholly-owned by Dr Kwan Pak Hoo Bankee, each of the aforesaid persons is a connected person of the Company. Therefore, the Margin Financing Arrangement with each of the Connected Clients constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules for the margin financing facility on an annual basis under the Margin Financing Agreement for each of the Connected Clients, exceeds 5%, and the principal amount of the margin financing facility granted to each of the Connected Clients exceeds HK\$10,000,000, the Margin Financing Agreements and the transactions contemplated thereunder for each of the Connected Clients are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under the Listing Rules.

The purpose of this circular is to (i) provide the Shareholders with information on the Margin Financing Agreements and the annual caps for the Connected Clients; (ii) set out the letter from the Independent Board Committee to the Independent Shareholders in respect of the Margin Financing Agreements and the annual caps; (iii) set out the letter of advice from DL Securities to the Independent Board Committee and the Independent Shareholders in respect of the Margin Financing Agreements and the annual caps; and (iv) give a notice to the Shareholders on convening the SGM for approving the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder.

### THE MARGIN FINANCING AGREEMENTS

Date: 20 February 2023

Parties: (i) Celestial Securities (a wholly-owned subsidiary of CFSG and a subsidiary of the Company held through CFSG) as lender; and  
(ii) each of the Connected Clients as borrowers.

The Connected Clients are:

- (a) Dr Kwan Pak Hoo Bankee, an executive director of the Company and CFSG, and the controlling shareholder of the Company;
- (b) Mr Leung Siu Pong James, an executive director of the Company;
- (c) Mr Kwan Teng Hin Jeffrey, an executive director of the Company and CFSG; and
- (d) Cash Guardian.

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## LETTER FROM THE BOARD

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|  |   |
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| Services provided:                     | Celestial Securities will grant margin financing facility to each of the Connected Clients.   |
| Term:                                  | A term commencing on 20 February 2023 and ending on 31 December 2024.   |
| Interest rates:                        | <p>The interest rates will be charged at a rate of up to 8% over the Hong Kong Dollar Best Lending Rate prevailing from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited, which aligns with the prevailing market practice.</p> <p>The interest rates charged are determined by reference to the rates offered in the market by other securities brokers for services of similar nature (which currently range from 2.75% below to 8% over the prevailing Hong Kong Dollar Best Lending Rate quoted by The Hongkong and Shanghai Banking Corporation Limited) and in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services.</p>   |
| Annual caps:                           | The annual cap of the margin financing facility to each of the Connected Clients will be a sum of up to HK\$40 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the two financial years ending 31 December 2024.   |
| Basis for determining the annual caps: | The annual caps were determined after arm's length negotiation between Celestial Securities and each of the Connected Clients based on (i) the demand of the Connected Clients for the margin financing facility; (ii) the sound financial standing of each of the Connected Clients; (iii) the existing financial resources and capacity of margin financing facilities of CFSG Group, including the amount of back-to-back refinancing obtained from bank(s), for granting the margin financing facility after taking into account the credit assessment, financial strength, past payment records and collateral securities for the facility of the Connected Clients; and (iv) the benefit for capturing the securities trading activities of the Connected Clients so as to earn more commission and fees in the usual and ordinary course of the business of the Group. |

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## LETTER FROM THE BOARD

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Due to the outbreak of the COVID-19 pandemic and the unstable environment of the Hong Kong and global stock market in the previous years, certain Connected Clients have not fully utilised the annual cap granted to them under the Previous Margin Financing Arrangements. Nevertheless, having taken into consideration (i) there is no significant delay or default in payment by the Connected Clients throughout the past years; (ii) the provision of a sufficient buffer to cater for the anticipated growth in initial public offering activities in view of post-COVID-19 economic recovery; and (iii) the benefits of the Margin Financing Agreements in terms of contribution of income to the Group, the Board proposed to grant the new annual caps to allow sufficient buffer and more flexibility for Celestial Securities to grant the margin financing facility to the Connected Clients in its ordinary and usual course of business.

During Jan 2019 – Dec 2021, social unrests coupled with COVID-19 greatly affected the overall investing sentiment as markets were volatile and uncertainties were high, Cash Guardian did not utilise any margin financing facilities under the Previous Margin Financing Arrangement. However, taking into account (i) Cash Guardian's sound financial standing; (ii) the benefit for potential income contribution to the Group; and (iii) the terms of the Margin Financing Agreements are not more favorable than those available to other independent third party clients, the proposed annual caps with Cash Guardian is considered fair and reasonable.

In addition, during the pre-COVID 19 and COVID 19 period, the economy witnessed a sharp contraction due to social unrest and the pandemic itself. With the rollout of the National Security Law, relaxed COVID-19 measures and the central government's push for economic recovery, it is expected for the economy to enter into recovery stage of the economic cycle. Investment sentiment will continue to improve due to the investors investing in the undervalued stock market (low PE ratios) and expected increasing in initial public offerings activities on the Hong Kong Stock Exchange. Also, it is expected for the global economy to pick up pace in 2023-2024 due to the stabilisation of inflation and expected an end to the Russian-Ukraine war.

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## LETTER FROM THE BOARD

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- Conditions precedent:
- (a) The Margin Financing Agreements (including the annual caps) and the transactions contemplated thereunder for each of Dr Kwan Pak Hoo Bankee, Mr Kwan Teng Hin Jeffrey and Cash Guardian are subject to the following conditions:
    - (i) the approval by the Independent Shareholders at the SGM; and
    - (ii) the approval by the independent shareholders of CFSG at the CFSG SGM.
  - (b) The Margin Financing Agreement (including the annual cap and the transactions contemplated thereunder for Mr Leung Siu Pong James is subject to the approval by the Independent Shareholders at the SGM.

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

### **Reasons for and benefits of the Margin Financing Arrangements**

The Board considers that the Margin Financing Arrangements will enable Celestial Securities to capture the securities trading activities of the Connected Clients and generate income in ordinary course of business.

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

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## LETTER FROM THE BOARD

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### The Previous Margin Financing Arrangements

On 7 December 2018, Celestial Securities entered into margin financing agreements with certain Connected Clients, namely Dr Kwan Pak Hoo Bankee, Mr Kwan Teng Hin Jeffrey and Cash Guardian, for granting margin financing subject to an annual cap of up to HK\$30 million for each of the three financial years ended 31 December 2021 (the “**Previous Margin Financing Arrangements**”). Details of such transactions were disclosed in the announcement and circular of CFSG dated 7 December 2018 and 9 January 2019 respectively. The Previous Margin Financing Arrangements expired on 31 December 2021.

The historical figures of the margin financing facilities utilised by such Connected Clients under the Previous Margin Financing Arrangements are set out below:

|                          | For the year ended 31 December |            |            |
|--------------------------|--------------------------------|------------|------------|
|                          | 2019                           | 2020       | 2021       |
|                          | (HK\$'000)                     | (HK\$'000) | (HK\$'000) |
| Dr Kwan Pak Hoo Bankee   | 5,999                          | 26,310     | 8,760      |
| Mr Kwan Teng Hin Jeffrey | 273                            | 26,654     | 14,345     |
| Cash Guardian            | —                              | —          | —          |

### Listing Rules implication for the Company

As (i) each of Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey is a Director; and (ii) Cash Guardian is indirectly wholly-owned by Dr Kwan Pak Hoo Bankee, each of the aforesaid persons is a connected person of the Company. Therefore, the Margin Financing Arrangement with each of the Connected Clients constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules for the margin financing facility on an annual basis under the Margin Financing Agreement for each of the Connected Clients, exceeds 5%, and the principal amount of the margin financing facility granted to each of the Connected Clients exceeds HK\$10,000,000, the Margin Financing Agreements and the transactions contemplated thereunder for each of the Connected Clients are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under the Listing Rules.

The Directors who are the Connected Clients and have material interest in their respective Margin Financing Agreements have abstained from voting on the relevant board resolution(s) at the board meeting of the Company approving their respective Margin Financing Agreements.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES

The Group has established adequate internal control policies to regularly monitor the utilisation rates of margin financing facilities granted to connected clients to ensure compliance with the disclosure requirements of the Listing Rules. The credit and risk management department and operation personnel of the Group are aware of the applicable threshold for the purpose of disclosure from time to time, with an aim to ensure that the continuing connected transactions are provided in accordance with the terms of the governing agreements and within the respective annual caps. The Group have also maintained a credit and risk management policy which set out the procedures and guidelines for credit facility application. Similar internal control procedures will continue to be conducted for monitoring the Margin Financing Arrangements and to ensure compliance with the Listing Rules. To monitor compliance of the relevant Listing Rules applicable to connected transaction, the Group has adopted the following measures:

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

Similar internal control procedures will continue to be conducted for monitoring the Margin Financing Arrangements and to ensure compliance with applicable Listing Rules.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP AND THE RELEVANT PARTIES

The principal activity of the Company is investment holding. The principal activities of the Group are (a) the retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite Home”, “TMF”, “SECO”, “Pricerite Food” and “Pricerite Pet” in Hong Kong; (b) the provision of asset management services to fund investors; (c) the financial services businesses provided through CFSG as set out below; and (d) general investment holding. For additional information, please visit [www.cash.com.hk](http://www.cash.com.hk).

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

Celestial Securities is a wholly-owned subsidiary of CFSG and a subsidiary of the Company held through CFSG. It is a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity.

Cash Guardian is indirectly wholly-owned by Dr Kwan Pak Hoo Bankee (an executive director of the Company and CFSG), and is the controlling shareholder of the Company. Its principal activity is investment holding.

### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to consider and advise the Independent Shareholders of the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder. DL Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms and conditions of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### THE SGM

Set out on pages 33 to 34 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 10:30 am on 29 March 2023 (Wednesday) at which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders for the approval of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder. All the resolutions will be taken by poll at the SGM.

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

As at the Latest Practicable Date:

- (i) Cash Guardian (indirectly wholly-owned by Dr Kwan Pak Hoo Bankee) holds approximately 49.05% of the issued shares of the Company and Dr Kwan Pak Hoo Bankee (the controlling shareholder of the Company) holds approximately 0.74% of the issued shares of the Company, and is the father of Mr Kwan Teng Hin Jeffrey. They are regarded as having material interest in the Margin Financing Agreements and will be required to abstain from voting on the relevant resolution(s) nos. (i), (iii) and (iv) at the SGM; and
- (ii) Mr Leung Siu Pong James holds approximately 0.05% of the issued shares of the Company. He is regarded as having material interest in the Margin Financing Agreement and will be required to abstain from voting on the relevant resolution no. (ii) at the SGM.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Margin Financing Agreement and the transactions contemplated thereunder, and accordingly, no other Shareholder would be required to abstain from voting at the SGM.

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

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) are of the opinion that the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and the aforesaid Margin Financing Agreements and the annual caps and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee after receiving and considering the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolutions (each by separate resolution) relating to the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder to be proposed at the SGM.

Your attention is also drawn to the letters from the Independent Board Committee and DL Securities and their respective recommendations set out on pages 14 to 15 and pages 16 to 26 of this circular, respectively.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
On behalf of the Board  
**Bankee P. Kwan**  
*Chairman and  
Chief Executive Officer*



**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**

**時富投資集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1049)**

13 March 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
MARGIN FINANCING ARRANGEMENT**

We refer to the circular dated 13 March 2023 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 Agreements and the annual caps and the transactions contemplated thereunder and to advise the Independent Shareholders whether, in our opinion, the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. DL Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board set out on pages 4 to 13 of the Circular which contains, inter alia, information on the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder, and the letter from DL Securities set out on pages 16 to 26 of the Circular which contains its advice in respect of the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms and conditions of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder and taken into account the advice of DL Securities, we consider that the terms of the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Margin Financing Agreements and the annual caps and the transactions contemplated thereunder.

Yours faithfully

Independent Board Committee

**Leung Ka Kui Johnny**

**Wong Chuk Yan**

**Chan Hak Sin**

*Independent non-executive Directors*

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## LETTER FROM DL SECURITIES

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*Set out below is the text of a letter received from DL Securities (HK) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps) for the purpose of inclusion in this circular.*



29/F, Vertical Square  
28 Heung Yip Road  
Wong Chuk Hang, Hong Kong

13 March 2023

*To: the Independent Board Committee and  
the Independent Shareholders of Celestial Asia Securities Holdings Limited*

Dear Sirs and Madams,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MARGIN FINANCING ARRANGEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 13 March 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Announcement in relation to, among others, the Margin Financing Agreements entered into between Celestial Securities (a wholly-owned subsidiary of CFSG and a subsidiary of the Company held through CFSG) with the Connected Clients relating to the Margin Financing Arrangements (being the grant of margin financing facility by Celestial Securities to each of the Connected Clients) for a term commencing on 20 February 2023 and ending on 31 December 2024 subject to an annual cap of up to HK\$40 million for each Connected Client.

#### **LISTING RULE IMPLICATION**

As at the Latest Practicable Date, as (i) each of Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey is a Director; and (ii) Cash Guardian is indirectly wholly-owned by Dr Kwan Pak Hoo Bankee, each of the aforesaid persons is a connected person of the Company. Therefore, the Margin Financing Arrangement with each of the Connected Clients constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM DL SECURITIES

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As the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules for the margin financing facility on an annual basis under the Margin Financing Agreement for each of Connected Clients exceeds 5% and the principal amount of the margin financing facility granted to each of the Connected Clients exceeds HK\$10,000,000, the Margin Financing Agreements and the transactions contemplated thereunder for each of the Connected Clients are subject to the reporting, announcement, independent shareholders' approval and annual review requirements for the Company under the Listing Rules.

As at the Latest Practicable Date, (i) Cash Guardian (indirectly wholly-owned by Dr Kwan Pak Hoo Bankee) holds approximately 49.05% of the issued shares of the Company and Dr Kwan Pak Hoo Bankee (the controlling shareholder of the Company) holds approximately 0.74% of the issued shares of the Company, and is the father of Mr Kwan Teng Hin Jeffrey, they are regarded as having material interest in the Margin Financing Agreements and will be required to abstain from voting on the relevant resolution(s) nos. (i), (iii) and (iv) at the SGM; and (ii) Mr Leung Siu Pong James holds approximately 0.05% of the issued shares of the Company. He is regarded as having material interest in the Margin Financing Agreement and will be required to abstain from voting on the relevant resolution no. (ii) at the SGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Margin Financing Agreements and the transactions contemplated thereunder and therefore no other Shareholder would be required to abstain from voting at the SGM.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, has been established to consider and advise the Independent Shareholders as to whether the terms of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to approve the Margin Financing Agreements at the SGM. None of the members of the Independent Board Committee has any material interest in the Margin Financing Agreements.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps) are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the resolutions to approve the Margin Financing Agreements at the SGM.

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### OUR INDEPENDENCE

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we did not have any relationships or interests with the Group or any other parties that could reasonably be regarded as hindrance to the independence of us. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the captioned transactions, and therefore we are considered to be eligible to give independent advice on the terms of the Margin Financing Agreements (including the annual caps) pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps), we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the transactions contemplated thereunder the Margin Financing Agreements, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation. This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps), except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

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### PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

#### 1. Background and reasons for the entering into of the Margin Financing Agreements

##### *Information of the Group, the CFSG Group and Celestial Securities*

The principal activity of the Company is investment holding. The principal activities of the Group are (a) the retail management business including sales of furniture and household items, electrical appliances, food and pets accessories through the chain stores under multi-brand names including “Pricerite Home”, “TMF”, “SECO”, “Pricerite Food” and “Pricerite Pet” in Hong Kong; (b) the provision of asset management services to fund investors; (c) the financial services businesses provided through CFSG; and (d) general investment holding.

The principal activity of CFSG is investment holding. The principal activities of the CFSG Group are (a) the provision of online and traditional brokerage of securities, futures and options as well as general and life insurance, mutual funds and mandatory provident fund products; (b) the proprietary trading of debt and equity securities and derivatives; (c) the provision of margin financing and money lending services; and (d) the provision of asset management services.

Celestial Securities is a wholly-owned subsidiary of CFSG and a subsidiary of the Company held through CFSG. It is a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activity.

##### *Information of the Connected Clients*

Each of Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James and Mr Kwan Teng Hin Jeffrey is a Director.

Cash Guardian is indirectly wholly-owned by Dr Kwan Pak Hoo Bankee (an executive director of CFSG and the Company), and is a controlling shareholder of the Company. Its principal activity is investment holding.

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### **2. Reasons and benefits of the Margin Financing Agreements**

As stated in the Letter from the Board, the Board consider that the Margin Financing Arrangements will enable Celestial Securities to capture the securities trading activities of the Connected Clients and generate income in its ordinary course of business. Furthermore, the Margin Financing Arrangements are being provided on normal commercial terms and in the ordinary course of business which are not more favorable than those available to other independent third party clients.

Based on our review of the public disclosure in the listing documents, announcements and circulars of CFSG, we notice that Celestial Securities has long been providing margin financing services to various connected clients from time to time since 2004. With reference to the joint announcement of the Company and CFSG dated 21 October 2022 in relation to the close of the general offer, CFSG has become a non-wholly owned subsidiary of the Company and is indirectly owned as to approximately 60.49% by the Company. It is also noted that the terms of the margin financing facilities granted by Celestial Securities to the Connected Clients are generally the same as those offered to its other margin financing clients. In addition, the Connected Clients must follow the terms of the margin financing facilities extended and set by the Celestial Securities from time to time that are applicable to all margin financing clients of Celestial Securities.

Having considered that (i) the Margin Financing Agreements are entered into in the ordinary and usual course of business of the CFSG Group as well as the Group upon CFSG becoming a subsidiary of the Group; (ii) the long history of Celestial Securities providing margin financing services to its connected clients within the Group and the CFSG Group; (iii) the dealing in securities by the Connected Clients through their securities trading accounts maintained with Celestial Securities could facilitate the monitoring of staff dealing activities from the perspective of internal control; and (iv) the Margin Financing Arrangements enable the Group and the CFSG Group to capture the potential business opportunities in margin financing business from the Connected Clients and enhance the revenue source and interest income of the Group and the CFSG Group, we are of the view that entering into of the Margin Financing Agreements is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

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### 3. Principal terms of the Margin Financing Agreements

Set out below are the principal terms of the Margin Financing Agreements:

Date: 20 February 2023

Parties: (i) Celestial Securities (a subsidiary of CFSG and a subsidiary of the Company held through CFSG) as lender; and  
(ii) each of the Connected Clients as borrowers.

The Connected Clients are:

- (a) Dr Kwan Pak Hoo Bankee, an executive director of the Company and CFSG, and the controlling shareholder of the Company;
- (b) Mr Leung Siu Pong James, an executive director of the Company;
- (c) Mr Kwan Teng Hin Jeffrey, an executive director of the Company and CFSG; and
- (d) Cash Guardian.

Services provided: Celestial Securities will grant margin financing facility to each of the Connected Clients.

Term: A term commencing on 20 February 2023 and ending on 31 December 2024.

Interest rates: The interest rates will be charged at a rate of up to 8% over the Hong Kong Dollar Best Lending Rate prevailing from time to time quoted by The Hongkong and Shanghai Banking Corporation Limited (the “**Prime Rate**”).

Annual caps: The annual cap of the margin financing facility for each of the Connected Clients will be a sum of up to HK\$40 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the two financial years ending 31 December 2024.

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- Conditions precedent:
- (a) The Margin Financing Agreements (including the annual caps) and the transactions contemplated thereunder for each of Dr Kwan Pak Ho Bankee, Mr Kwan Teng Hin Jeffrey and Cash Guardian are subject to the following conditions:
    - (i) the approval by the Independent Shareholders at the SGM; and
    - (ii) the approval by the independent shareholders of CFSG at the CFSG SGM.
  - (b) The Margin Financing Agreements (including the annual caps) and the transactions contemplated thereunder for Mr Leung Siu Pong James is subject to the approval by the Independent Shareholders of at the SGM.

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

As stated in the Letter from the Board, the interest rates charged under the Margin Financing Agreements are determined by reference to the rates offered in the market by other securities brokers for services of similar nature and in any event no more favourable than the rates charged by Celestial Securities to independent third parties for similar services. In assessing the interest rates to be charged under the Margin financing Arrangements, we have obtained and reviewed the reference rates of other securities brokers for services of similar nature which the Board has made reference to. These securities brokers include well-known listed and unlisted securities companies and their reference rates, depending on the quality of the underlying stock and size of the margin loan, ranged from 2.75% below the prime rate quoted by Standard Chartered Bank (the “**SCB Prime Rate**”) to 3% over the SCB Prime Rate and could reach up to 8% over the SCB Prime Rate for margin loan exceeding the margin value. For our due diligence purpose, we have also reviewed the standard margin interest rates of an additional 16 securities brokers which are listed on the Stock Exchange and have published the margin interest rates on their respective websites (the “**Reference Rate Comparables**”). Save for two of the Reference Rate Comparables which their interest rates are based on Hong Kong Interbank Offered Rate or an absolute interest rate, the standard margin interest rates of the remaining 14 Reference Rate Comparables ranged from 1.5% to 13% over the prime rates announced by their respective banks in Hong Kong for margin account clients and/or cash account clients. Although the Reference Rate Comparables are not exhaustive, we consider that the number of the Reference Rate Comparables is sufficient for reflecting the general market conditions for comparison purpose. We notice that the standard rates adopted by the Board in determining the interest rates under the Margin Financing Agreements, i.e. having a standard margin interest rate of up to 8% over the Prime Rate, are within the range of the standard margin interest rates of the Reference Rate Comparables.

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## LETTER FROM DL SECURITIES

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Furthermore, we have obtained and reviewed the historical standard margin interest rates of Celestial Securities offered to its clients since 2019. The standard interest rates of margin loans currently charged by Celestial Securities typically ranged from 3% over the Prime Rate for margin loans that are within margin value to 6% over the Prime Rate for overdue amount that are beyond marginable value or overdue amount of cash securities account. We have also reviewed 23 sample transaction records and the corresponding account statements of the Connected Clients during the term under the Previous Margin Financing Arrangements and compared with the interest rates charged to other independent third party clients. Based on the aforesaid record, we note that the interest rates charged by Celestial Securities on the Connected Clients for IPO and margin financing facilities were in line with the interest rates charged by Celestial Securities and not more favourable than the rates charged on other independent third party clients. In addition, we have also obtained the standard margin facility letter of Celestial Securities offered to other independent third party clients which demonstrates that the key terms and conditions offered to independent third party clients are similar to the terms thereunder the Margin Financing Agreements offered to the Connected Clients.

Having considered (i) the terms and conditions of the Margin Financing Agreements in general are similar to those under the standard margin facility letter of Celestial Securities that offered to other independent third party clients; and (ii) the actual interest rates of the margin finance facilities under the Margin Financing Agreements will be in line with and no more favourable than the standard interest rates offered to other independent third party clients of Celestial Securities, we concur with the Management's view that the terms of the Margin Financing Agreements are fair and reasonable.

#### **4. The proposed annual caps**

The annual cap of the margin financing facility for each of the Connected Clients will be a sum of up to HK\$40 million (which represents the maximum outstanding balance, including accrued outstanding interests, of the margin financing facility) for each of the two financial years ending 31 December 2024. As set out in the Letter from the Board, the annual caps were determined after arm's length negotiation between Celestial Securities and each of the Connected Clients based on (i) the demand of the Connected Clients for the margin financing facility; (ii) the sound financial standing of each of the Connected Clients; (iii) the existing financial resources and capacity of margin financing facilities of the CFSG Group for granting the margin financing facility after taking into account the credit assessment, financial strength, past payment records and collateral securities for the facility of the Connected Clients; and (iv) the benefit for capturing the securities trading activities of the Connected Clients so as to earn more commission and fees in the usual and ordinary course of the business of the Group.

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## LETTER FROM DL SECURITIES

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During the three years ended 31 December 2021, Celestial Securities granted margin financing facilities with an annual cap of HK\$30 million to certain Connected Clients, namely Dr Kwan Pak Hoo Bankee, Mr Kwan Teng Hin Jeffrey and Cash Guardian under the Previous Margin Financing Arrangements. Set out below are the historical figures of the margin financing facilities utilised by such Connected Clients under the Previous Margin Financing Arrangements together with the utilisation rates with respect to the annual caps:

|               | For the year ended 31 December          |                     |   |                     |   |                     |
|---------------|---|---------------------|---|---------------------|---|---------------------|
|               | 2019                                    |                     | 2020                                    |                     | 2021                                    |                     |
|               | Maximum<br>Balance<br><i>(HK\$'000)</i> | Utilisation<br>Rate | Maximum<br>Balance<br><i>(HK\$'000)</i> | Utilisation<br>Rate | Maximum<br>Balance<br><i>(HK\$'000)</i> | Utilisation<br>Rate |
| Dr Kwan Pak   |   |                     |   |                     |   |                     |
| Hoo Bankee    | 5,999                                   | 20.0%               | 26,310                                  | 87.7%               | 8,760                                   | 29.2%               |
| Mr Kwan Teng  |   |                     |   |                     |   |                     |
| Hin Jeffrey   | 273                                     | 0.9%                | 26,654                                  | 88.8%               | 14,345                                  | 47.8%               |
| Cash Guardian | -                                       | -                   | -                                       | -                   | -                                       | -                   |

As shown in the table above, the utilisation rates of such Connected Clients were relatively low during the year ended 31 December 2019 and 31 December 2021 throughout the term of the Previous Margin Financing Arrangements. Based on our discussion with the Management, we are given to understand that, besides margin financing in securities trading, the Connected Clients were mainly utilising the margin facilities for financing in initial public offerings (“IPO(s)”) of newly listed companies in Hong Kong and therefore the actual maximum balances on such margin facilities were highly correlated with the performance of the IPO market and overall market sentiment of the stock market in Hong Kong.

During the year ended 31 December 2019, notwithstanding that the Hang Seng Index managed to record an increase of approximately 9.1%, the market underperformed other major markets and fluctuated downwards after the Hang Seng Index hitting a 10-month high of above 30,000 in April 2019 mainly due to the concern on the uncertainties about the trade talk between the PRC and the US as well as the concern on lower earnings growth of PRC enterprises listed in Hong Kong and a slowing economy of Hong Kong with gross domestic product falling for 3 consecutive quarters. For the year ended 31 December 2021, the Hang Seng Index fell by approximately 14.1% accompanied by a volatile market with the Hang Seng Index hitting a 21-month low in December 2021 as a result of the concerns on tightened industry regulatory policies for PRC technology stocks, liquidity problems of PRC property developers as well as the pandemic risks. With reference to the 2021 Annual Market Statistics published by the Stock Exchange, it is noted that the number of newly listed companies decreased by 36.4% from 154 in year 2020 to 98 in year 2021. The total IPO funds raised was approximately HK\$331.3 billion, representing a decrease of 17.2% as compared to HK\$400.1 billion for year 2020.

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Notwithstanding that the utilisation rates of such Connected Clients were relatively low during the year ended 31 December 2019 and 31 December 2021 while Cash Guardian did not utilise any margin facilities during the term of the Previous Margin Financing Arrangements, we understand that in setting the proposed annual caps of HK\$40 million for each of the two years ending 31 December 2024, representing an increase of approximately 33.3% as compared to the annual caps under the Previous Margin Financing Arrangements, the Management has taken into consideration, among others, the buffer to cater for the anticipated growth in IPO activities in view of post-COVID-19 economic recovery. With the roll out of the National Security Law, relaxed COVID-19 measures and the central government's push for economic recovery, the Board anticipates that the economy will enter into recovery stage of economic cycle and this is in line with our following findings on the recent development of the capital market in Hong Kong. Hong Kong ranked as the world's third largest IPO destination in 2022. Although the IPO activities decreased in 2022 as compared with 2021 in terms of both the number of IPOs and the total IPO funds raised, the IPO activities have been gradually picking up since the second half of 2022. Based on the monthly statistics published by the Stock Exchange, it is noted that the number of IPOs during August 2022 to January 2023, on month-on-month basis, was generally more than that of the corresponding month in the previous year. With reference to the report "Chinese Mainland and Hong Kong IPO Markets 2022 Review and 2023 Outlook" published by KPMG on 8 December 2022, with a solid pipeline of companies planning to list in the year ahead, the Hong Kong IPO market is expected to continue this momentum into 2023. The IPO activity is expected to rebound in 2023 with the expected improvement in market sentiment and the back up by the pipeline with around 120 companies seeking to IPO. We also notice that the Stock Exchange has published a consultation paper on new listing rules for specialist technology companies in October 2022 which will be a new channel to attract innovative commercial and pre-commercial companies from five frontier industries around the world to be listed in Hong Kong, namely next-generation information technology, advanced hardware, advanced materials, new energy and environmental protection, and new food and agriculture technologies. With the improving IPO market performance and favourable potential new policies which may attract more forthcoming IPOs in Hong Kong, it is possible that the Connected Clients may require more margin financing and IPO financing for their investment activities in the future.

Taking into account that (i) the economy and capital market is expected to be recovered from the pandemic; (ii) Hong Kong remains one of the popular destinations for IPO activities; (iii) the Stock Exchange will publish new listing rules in attracting specialist technology companies for IPOs in Hong Kong; (iv) the annual caps shall have a sufficient buffer to cater the anticipated growth in the IPO activities in Hong Kong; and (v) the transactions contemplated thereunder the Margin Financing Agreements are of revenue in nature and beneficial to the Group as long as the terms offered to the Connected Clients are no less favourable, from the perspective of the Group, as compared those offered to independent third party clients, we consider that the proposed annual caps under the Margin Financing Agreements are fair and reasonable.

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## LETTER FROM DL SECURITIES

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### 5. Internal control measures

We understand that the CFSG Group and the Group has established internal control policies to regularly monitor the utilisation rates of margin financing facilities granted to connected clients to ensure compliance with the requirements of the Listing Rules and the transactions contemplated thereunder the Margin Facility Agreements will be in accordance with the terms of the governing agreements and within the respective annual caps. We have reviewed the credit and risk management policy maintained by the CFSG Group and the Group which sets out the procedures and guidelines for credit facility application as well as the sample daily summary report on the financial assistance provided to connected clients. With reference to the annual reports of CFSG for the three years ended 31 December 2021, we notice that auditor of the CFSG has issued its unqualified letters containing its findings and conclusions in respect of the continuing connected transactions under the Previous Margin Financing Arrangements in accordance with Rule 14A.56 of the Listing Rules. Based on the above, we consider that there are adequate internal control measures in place to monitor the transactions contemplated under the Margin Financing Agreements.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the entering of the Margin Financing Agreements is in the ordinary and usual course of business of the Group, the terms of the Margin Financing Agreements and the transactions contemplated thereunder (including the annual caps) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and the entering into of the Margin Financing Agreements is in the interests of the Company and the Shareholders as a whole.

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

Yours faithfully  
For and on behalf of  
**DL Securities (HK) Limited**  
**Tommy Cheng**  
*Managing Director*  
*Corporate Finance Division*

Yours faithfully  
For and on behalf of  
**DL Securities (HK) Limited**  
**Nathan Au**  
*Managing Director*  
*Corporate Finance Division*

*Mr. Tommy Cheng and Mr. Nathan Au are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of DL Securities (HK) Limited. Mr. Tommy Cheng and Mr. Nathan Au have over 12 and 3 years of experience in corporate finance industry, respectively.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DIRECTORS' INTERESTS IN SECURITIES

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

### (A) The Company

#### (i) Long positions in the Shares

| Name                             | Capacity  | Personal<br>(Number of<br>Shares) | Corporate<br>Interest<br>(Number of<br>Shares) | Shareholding<br>(%) |
|----------------------------------|---|-----------------------------------|--|---------------------|
| Dr Kwan Pak Hoo Bankee<br>(Note) | Beneficial owner and<br>interest in a controlled<br>corporation | 598,501                           | 39,599,098*                                    | 49.79               |
| Leung Siu Pong James             | Beneficial owner  | 37,642                            | –  | 0.05                |

\* The Shares were held by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan Pak Hoo Bankee). Pursuant to the SFO, Dr Kwan Pak Hoo Bankee and Hobart Assets Limited were deemed to be interested in such Shares held by Cash Guardian.

**(ii) Long positions in the underlying shares of the Company**

| Name                             | Date of grant | Exercise period           | Exercise price per Share (HK\$) | Number of options outstanding | Percentage to issued Shares (%) |
|----------------------------------|---------------|---------------------------|---------------------------------|-------------------------------|---------------------------------|
| Dr Kwan Pak Hoo Bankee<br>(Note) | 16/7/2021     | 01/08/2021-<br>31/07/2023 | 1.45                            | 800,000                       | 0.99                            |
| Leung Siu Pong James             | 16/7/2021     | 01/08/2021-<br>31/07/2023 | 1.45                            | 800,000                       | 0.99                            |
| Li Shing Wai Lewis               | 16/7/2021     | 01/08/2021-<br>31/07/2023 | 1.45                            | 800,000                       | 0.99                            |
| Kwan Teng Hin Jeffrey<br>(Note)  | 16/7/2021     | 01/08/2021-<br>31/07/2023 | 1.45                            | 800,000                       | 0.99                            |

Note: They are directors of both the Company and CFSG (a subsidiary of the Company).

**(B) Associated corporation (within the meaning of Part XV of the SFO) - CFSG****(i) Long positions in shares of CFSG**

| Name                             | Capacity  | Personal (Number of shares) | Corporate Interest (Number of shares) | Shareholding (%) |
|----------------------------------|---|-----------------------------|---------------------------------------|------------------|
| Dr Kwan Pak Hoo Bankee<br>(Note) | Beneficial owner and interest in a controlled corporation | 2,472,000                   | 157,989,563*                          | 61.44            |
| Li Shing Wai Lewis               | Beneficial owner  | 2,472,000                   | –                                     | 0.95             |
| Kwan Teng Hin Jeffrey<br>(Note)  | Beneficial owner  | 2,472,000                   | –                                     | 0.95             |

\* The shares in CFSG were held by Celestial Investment Group Limited (“CIGL”), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company). The Company was beneficially owned as to approximately 49.79% by Dr Kwan as at the Latest Practicable Date. Pursuant to the SFO, Dr Kwan was deemed to be interested in all the shares in CFSG held by CIGL as a result of his interest in the Company.

*(ii) Long positions in the underlying shares of CFSG*

| Name                             | Date of grant | Exercise period           | Exercise price per share (HK\$) | Number of options outstanding | Percentage to issued shares (%) |
|----------------------------------|---------------|---------------------------|---------------------------------|-------------------------------|---------------------------------|
| Dr Kwan Pak Hoo Bankee<br>(Note) | 29/07/2021    | 01/08/2021-<br>31/07/2023 | 0.572                           | 2,400,000                     | 0.92                            |
| Li Shing Wai Lewis               | 29/07/2021    | 01/08/2021-<br>31/07/2023 | 0.572                           | 2,400,000                     | 0.92                            |
| Kwan Teng Hin Jeffrey<br>(Note)  | 29/07/2021    | 01/08/2021-<br>31/07/2023 | 0.572                           | 2,400,000                     | 0.92                            |

*Note:* They are directors of both the Company and CFSG (a subsidiary of the Company).

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

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name  | Capacity  | Number of<br>Shares | Shareholding<br>(%) |
|---|---|---------------------|---------------------|
| Hobart Assets Limited<br><i>(Notes (1) and (2))</i> | Interest in a controlled corporation                                      | 39,599,098          | 49.05               |
| Cash Guardian<br><i>(Notes (1) and (2))</i>         | Beneficial owner  | 39,599,098          | 49.05               |
| Mr Wang Shui Ming <i>(Note (3))</i>                 | Beneficial owner, interest in a controlled corporation and other interest | 4,110,245           | 5.09                |

*Notes:*

- (1) This refers to the same number of the Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Dr Kwan Pak Hoo Bnakee. Pursuant to the SFO, Dr Kwan and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian.
- (2) Dr Kwan Pak Hoo Bankee (a Director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 40,197,599 Shares (approximately 49.79%), which were held as to 39,599,098 Shares by Cash Guardian and as to 598,501 Shares in his personal name. Details of his interest are set out in the paragraph headed "2. DIRECTORS' INTERESTS IN SECURITIES" above.
- (3) The shareholding interest of Mr Wang Shui Ming was based on the notice dated 7 September 2020 (filed by him on 9 September 2020) pursuant to Divisions 2 and 3 of Part XV of the SFO after adjusting the number of Shares held by him due to the 20-to-1 share consolidation of the Company which took effect on 7 September 2020. Based on the said notice filed by Mr Wang Shui Ming, the Shares were held as to 1,022,061 in his personal name, as to 2,223,607 by Mingtak Holdings Limited (a 100%-owned controlled corporation of Mr Wang Shui Ming), and as to 864,577 by him as nominee under a power of attorney. Pursuant to the SFO, Mr Wang Shui Ming was deemed to be interested in all such Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**4. COMPETING INTEREST**

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

**5. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with the Company which cannot be terminated by the Company within one year without payment of compensation (other than statutory compensation).

**6. INTEREST OF DIRECTORS IN THE GROUP'S ASSETS**

Since 31 December 2021, the date to which the latest published audited accounts of the Group have been made up, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

**7. INTERESTS OF DIRECTORS IN CONTRACTS**

The following set out the contract(s) or arrangement(s) subsisting as at the Latest Practicable Date in which a Director is materially interested and which is significant in relation to the business of the Group:

- (1) the margin financing agreement dated 1 November 2021 entered into between Celestial Securities with Mr Li Shing Wai Lewis in relation to the grant of margin financing facility with a sum of up to HK\$30 million for each of the three financial years ending 31 December 2024 at a rate of up to 8% over HSBC's Hong Kong Dollar Prime Lending Rate per annum; and
- (2) the Margin Financing Agreements dated 20 February 2023 entered into between Celestial Securities with each of Dr Kwan Pak Hoo Bankee, Mr Leung Siu Pong James, Mr Kwan Teng Hin Jeffrey and Cash Guardian (indirectly wholly-owned by Dr Kwan Pak Hoo Bankee) in relation to the grant of margin financing facility with a sum of each up to HK\$40 million for each of the two financial years ending 31 December 2024 at a rate of up to 8% over HSBC's Hong Kong Dollar Best Lending Rate per annum.

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

**8. MATERIAL ADVERSE CHANGE**

The Directors have confirmed that, at the Latest Practicable Date, there is no material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up.

**9. EXPERT, QUALIFICATION AND CONSENT**

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

| <b>Name</b>   | <b>Qualification</b>   |
|---------------|--|
| DL Securities | a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |

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

As at the Latest Practicable Date, DL Securities did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group since 31 December 2021, being the date up to which the latest published audited consolidated accounts of the Company were made up.

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

**10. MISCELLANEOUS**

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

**11. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cash.com.hk](http://www.cash.com.hk)) for a period of 14 days commencing from the date of this circular:-

- (a) the Margin Financing Agreements for each of the Connected Clients; and
- (b) the letter of consent from DL Securities as referred to in paragraph headed “Expert, qualification and consent” in this appendix.

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## NOTICE OF THE SGM

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### CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

時富投資集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1049)

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (“**SGM**”) of Celestial Asia Securities Holdings Limited (“**Company**”) will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 29 March 2023 (Wednesday) at 10:30 am for the purpose of considering and, if thought fit, passing the following resolutions (each as a separate resolution) of the Company:

#### ORDINARY RESOLUTIONS

“**THAT**, the margin financing agreement(s) dated 20 February 2023 (“**Margin Financing Agreement(s)**”) entered into between Celestial Securities Limited (“**Celestial Securities**”, a subsidiary of the Company held through CASH Financial Services Group Limited) with each of the following connected client(s) numbered (i) to (iv) (“**Connected Client(s)**”) in relation to the grant of margin financing facility for a sum of up to HK\$40 million for each of the two financial years ending 31 December 2024 to each of the Connected Clients (“**Margin Financing Arrangement(s)**”) and the terms thereof and the transactions contemplated thereunder be and are hereby approved and confirmed and that any one director of the Company or the Company Secretary be and is hereby authorised to sign any agreements or documents and to do such things or make such arrangement(s) as they may think fit to give effect to the Margin Financing Arrangement(s):

- (i) Dr Kwan Pak Hoo Bankee
- (ii) Mr Leung Siu Pong James
- (iii) Mr Kwan Teng Hin Jeffrey
- (iv) Cash Guardian Limited”

By order of the Board  
**Ada S P Cheung**  
*Company Secretary*

Hong Kong, 13 March 2023

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

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

\* For identification purpose only

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## NOTICE OF THE SGM

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*Notes:*

1. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he is a holder of two or more shares, more than one proxy to attend and vote on his behalf. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof.
3. For determining the entitlement of members to attend and vote at the above meeting, the record date is fixed on 23 March 2023. Members whose names appear on the register of members of the Company at the close of business on the record date will be entitled to attend and vote at the above meeting. In order to qualify for attending and voting at the above meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the branch share registrar of the Company, Tricor Standard Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 pm on 23 March 2023.
4. The votes to be taken at the meeting for the resolution(s) will be by way of poll.

As at the date of this notice, the directors of the Company comprise:

*Executive directors:*

Dr Kwan Pak Hoo Bankee, JP  
Mr Leung Siu Pong James  
Mr Li Shing Wai Lewis  
Mr Kwan Teng Hin Jeffrey

*Independent non-executive directors:*

Mr Leung Ka Kui Johnny  
Mr Wong Chuk Yan  
Dr Chan Hak Sin