
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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**CELESTIAL ASIA SECURITIES HOLDINGS LIMITED**

(incorporated in Bermuda with limited liability)

PROPOSED SHARE CONSOLIDATION**PROPOSED REDUCTION IN SHARE CAPITAL**

A notice convening a special general meeting of Celestial Asia Securities Holdings Limited to be held at 9:30 am on Thursday, 25 April 2002 is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

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TIMETABLE

2002

Latest time for lodging forms of proxy for SGM	9:30 am on Tuesday, 23 April
SGM	9:30 am on Thursday, 25 April
The date the Share Consolidation and the Capital Reduction taking effect	10:00 am on Friday, 26 April
Original counter for trading in board lot size of 2,000 Existing Shares temporarily closes	Friday, 26 April
Temporary counter for trading in board lot size of 100 Reduced Shares opens (in the form of the existing share certificates)	10:00 am on Friday, 26 April
First day for free exchange of certificates for Reduced Shares	Friday, 26 April
Original counter for trading in board lot size of 2,000 Reduced Shares reopens (in the form of new share certificates)	10:00 am on Monday, 13 May
Parallel trading in Reduced Shares commence	10:00 am on Monday, 13 May
Temporary counter for trading in board lot size of 100 Reduced Shares closes	4:00 pm on Tuesday, 4 June
Parallel trading in Reduced Shares ends	4:00 pm on Tuesday, 4 June
Latest date for lodging certificates for Existing Shares in exchange for certificates for Reduced Shares free of charge	Friday, 7 June

DEFINITIONS

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

“Board”	the board of Directors
“Capital Reduction”	the proposed capital reduction of Consolidated Shares, issued or remain unissued, into Reduced Shares on the basis set out in the section headed “Capital Reduction”
“CCASS”	the Central Clearing and Settlement System established and administered by Hong Kong Securities Clearing Company Limited
“Company”	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
“Conditions”	conditions of the Share Consolidation and the Capital Reduction as set out in the section headed “Conditions” in the Letter from the Board of this circular
“Consolidated Share(s)”	share(s) of \$2.00 each in the share capital of the Company proposed to be created immediately after the Share Consolidation but before the Capital Reduction
“Directors”	directors of the Company
“Existing Share(s)”	existing share(s) of \$0.10 each in the share capital of the Company
“Group”	the Company and its subsidiaries
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	27 March 2002, being the latest practicable date prior to the printing of this circular
“Reduced Share(s)”	share(s) of \$0.10 each in the share capital of the Company proposed to be created after the Share Consolidation and the Capital Reduction
“Registrars”	Standard Registrars Limited, the branch share registrars of the Company, whose business address is situate at 5/F Wing On Centre, 111 Connaught Road Central, Hong Kong
“SGM”	the special general meeting of the Company to be held to approve the Share Consolidation and the Capital Reduction
“Share Consolidation”	the proposed share consolidation of every 20 issued or unissued Existing Shares into 1 Consolidated Share

DEFINITIONS

“Shareholders”	shareholders of the Company
“Share Option(s)”	share option(s) granted by the Company to the employees of the Group under the Company’s share option scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrantholders”	holders of the Warrants
“Warrants”	the existing warrants of the Company with outstanding subscription rights to subscribe up to a maximum aggregate amount of \$323,118,682.25 in cash for new Existing Shares at an exercise price of \$0.65 per Existing Share (subject to adjustment) at any time on or before 31 July 2002, all of which are currently listed on the Stock Exchange
“\$”	Hong Kong dollar(s)



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

KWAN Pak Hoo Bankee
LAW Ping Wah Bernard
KWOK Oi Kuen Joan Elmond
LAW Ka Kin Eugene
LI Yuen Cheuk Thomas
KHOO Ken Wee

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

WONG Chuk Yan
CHAN Hak Sin
LEUNG Ka Kui Johnny

Principal place of business:

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

2 April 2002

*To all Shareholders and, for information only,
all Warrantholders*

Dear Sir or Madam,

**PROPOSED SHARE CONSOLIDATION
PROPOSED REDUCTION IN SHARE CAPITAL**

INTRODUCTION

The Board announced on 15 March 2002 that it resolved to put to Shareholders proposals for the Share Consolidation and the Capital Reduction.

The purpose of this circular is to provide you with further details regarding the Share Consolidation and the Capital Reduction, and the notice of SGM to consider and, if appropriate, to approve and adopt the Share Consolidation and the Capital Reduction.

EXISTING SHARE CAPITAL

The existing structure of the share capital of the Company are as follows:

Authorized share capital	:	\$1,000,000,000 divided into 10,000,000,000 Existing Shares
Number of Existing Shares in issue	:	6,394,354,672 Existing Shares
Issued share capital	:	\$639,435,467.20
Board lot size	:	2,000 units of Existing Shares

LETTER FROM THE BOARD

SHARE CONSOLIDATION

Terms of consolidation

The proposed terms of the Share Consolidation are as follows:

- Basis : To consolidate the issued or unissued ordinary share capital of the Company on the basis of every 20 Existing Shares into 1 Consolidated Share
- Fractional Consolidated Share(s) : Fractional Consolidated Share(s) resulting from the Share Consolidation will not be issued and will be considered cancelled by the Company

Reasons for consolidation

In view of the relatively low market value for each existing board lot of the Existing Shares, the Board believes that the Share Consolidation would reduce the number of board lots in the market and will reduce the handling cost for the Company and the Shareholders dealing in the shares in the Company, including charges on stock withdrawal and share certificates issue, and are beneficial to both the Company and the Shareholders.

The closing price of the Existing Shares at the Latest Practicable Date is \$0.07 per Existing Shares and \$140 per board lot.

CAPITAL REDUCTION

Terms of reduction

The proposed terms of the Capital Reduction are as follows:

- Basis : Assuming the Share Consolidation taking effect, to reduce each issued or unissued Consolidated Share of \$2.00 in the then ordinary share capital of the Company to a Reduced Share of \$0.10 by the cancellation of \$1.90 thereof
- Treatment of reduced share capital : The total amount of reduced share capital resulting from the Capital Reduction will be debited to the share capital account and credited to the contributed surplus account. The Company in general meeting may make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets

LETTER FROM THE BOARD

would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Reasons for reduction

The Existing Shares are presently traded below their par value. Since new shares in the Company may not be issued below the par value, the existing situation obstructs the Company of issuance of new shares in the Company at a price acceptable to subscriber but also conformed to statutory rules. The Capital Reduction will reduce the par value of a share in the Company and allow the Company a greater flexibility in pricing its shares in issuance of new shares in a conformed and practicably viable manner. Presently, the Company has no plan to issue any new shares in the Company.

CONDITIONS

The Share Consolidation and the Capital Reduction are inter-conditional with each other and are conditional upon, among other things:

- (i) the passing of a special resolution of the Shareholders in the SGM approving the Share Consolidation and the Capital Reduction;
- (ii) the publication of a notice in Bermuda in respect of the reduction in share capital of the Company pursuant to section 46 of the Companies Act 1981 of Bermuda; and
- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Reduced Shares.

Subject to all Conditions being fulfilled, the Share Consolidation and the Capital Reduction will take effect simultaneously in accordance with the time schedule as set out in the section “Timetable” in this circular.

EFFECTS OF SHARE CONSOLIDATION AND CAPITAL REDUCTION

Share capital structure and net assets of the Group after Share Consolidation and Capital Reduction

Upon the Share Consolidation and the Capital Reduction taking effect, the changes to the share capital structure and the net assets of the Group are as follows:

Authorized share capital	: Reduced to 5% of the existing authorized share capital to \$50,000,000 divided into 500,000,000 Reduced Shares
Number of Reduced Shares then in issue	: A maximum of 319,717,733 Reduced Shares (assuming no new shares in the Company are issued prior to the Share Consolidation and the Capital Reduction taking effect)

LETTER FROM THE BOARD

- Issued share capital : Reduced to approximately 5% of the existing issued share capital to a maximum of \$31,971,773.30 by a reduction of approximately \$607,463,693.90
- Board lot size : 2,000 units of Reduced Shares with a temporary counter for trading in board lots of 100 units of Reduced Shares to be arranged immediately following the Share Consolidation and the Capital Reduction taking effect
- Rights attached to Reduced Shares : The right attached to a Reduced Share shall remain unchanged after the Share Consolidation and the Capital Reduction and is equivalent to that of 20 Existing Shares, and there will be no diminution of any liability in respect of payment to any Shareholder of any paid up capital, except no fractional entitlement, if any, as a result of the Share Consolidation will be issued to Shareholder but will be cancelled by the Company
- Contributed surplus account : To be enlarged by approximately \$607,463,693.90 transferred from the issued share capital account
- Consolidated net assets : The consolidated net assets of the Group will remain unchanged save for (i) expenses to be incurred to effect the Share Consolidation and the Capital Reduction, and (ii) the increase in share premium due to the cancellation of fractional entitlements of the Reduced Shares, if any

Adjustment to subscription prices and terms of Warrants and Share Options

Subject to the Share Consolidation taking effect, (i) the subscription price of the Warrants is expected to be revised from \$0.65 per Existing Share to \$13.00 per Reduced Share in accordance with the terms of the instrument constituting the Warrants, and (ii) the exercise price of and the number of Reduced Shares entitled under each Share Option will be adjusted in accordance with the share option scheme of the Company where the respective exercise price will be enlarged by 20 times and the number of Reduced Shares entitled under a Share Option will be reduced to 1/20 of the number of Existing Shares entitled thereunder. The adjustment will give a participant the same proportion of the equity capital as that to which that person was previously entitled but not to the extent that a share will be issued at less than its nominal value. The Capital Reduction will not have any effect to any term of the Warrants or the Share Options. The adjustments to the Warrants and the Share Options and the effective dates thereof have been certified by the auditors of the Company.

LETTER FROM THE BOARD

DEALINGS IN REDUCED SHARES AND NEW SHARE CERTIFICATES

In view of the Reduced Shares to be created upon the Share Consolidation and the Capital Reduction taking effect, (i) exchange for new share certificates for Reduced Shares free of charge for a certain period will be arranged, and (ii) a temporary counter at the Stock Exchange will be arranged to deal in the Reduced Shares in board lot size of 100 Reduced Shares before the Reduced Shares are fully dealt with in the board lot size of 2,000 Reduced Shares. Detailed terms and timetable for the free exchange for new share certificates and the dealings in the Reduced Shares are set out in the section of “Timetable” of this circular.

Shareholders may submit their existing certificates for Existing Shares to the Registrars in exchange for new certificates for Reduced Shares free of charge during business hours from 26 April 2002 up to and including 7 June 2002. Thereafter certificates for Existing Shares may only be valid for exchange for new certificate for Reduced Shares and will be accepted for exchange only on payment of a fee which is currently \$2.50 for each new certificate. Certificates for Reduced Shares will be blue in colour to distinguish them from the existing certificates for Existing Shares, which are yellow in colour.

Subject to the Conditions being fulfilled, the trading arrangements for dealings in Reduced Shares are as follows:

- (i) from 26 April 2002, the existing counter for trading in Existing Shares in board lot size of 2,000 Existing Shares will be closed temporarily. A temporary counter for trading in Reduced Shares represented by existing share certificates in board lot size of 100 Reduced Shares will be established from the period from 26 April 2002 to 4 June 2002. During the period, certificates for Existing Shares can be traded at this counter only and will be valid for settlement and delivery for trading.
- (ii) with effect from 13 May 2002, the original counter will be reopened for trading in Reduced Shares in board lot size of 2,000 Reduced Shares. Only certificates for Reduced Shares can be traded at this counter;
- (iii) from 13 May 2002 to 4 June 2002 inclusive, there will be parallel trading at the counters mentioned in (i) and (ii) above; and
- (iv) the temporary counter for trading in Reduced Shares in board lot size of 100 will be removed after the close of trading on 4 June 2002. Thereafter, trading in Reduced Shares will only be in board lot size of 2,000 and certificates for Existing Shares will cease to be marketable and will not be acceptable for dealing purpose. However, such certificates will continue to be good evidence of legal title and may be lodged with the Registrars for exchange for certificate for Reduced Shares.

Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Reduced Shares and arrangement will be made to enable the Reduced Shares to be admitted to CCASS for securities clearing and settlement purpose.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Reduced Shares on the Stock Exchange, the Reduced Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reduced Shares on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

SGM

For the purpose of approving the Share Consolidation and the Capital Reduction by Shareholders, the SGM is hereby convened and the notice of the SGM is set out on pages 9 to 10 in this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2000;
- (c) the interim report of the Company for the six months ended 30 June 2001; and
- (d) the written certificate from the auditors of the Company in respect of the adjustments to the Warrants and the Share Options.

RECOMMENDATION

The Directors are of the opinion that the Share Consolidation and the Capital Reduction are in the interests of the Company and recommend you to vote in favour of the special resolution to be proposed at the SGM.

On behalf of the Board
Bankee P Kwan
Chairman



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Celestial Asia Securities Holdings Limited (“Company”) will be held at 21/F The Center, 99 Queen’s Road Central, Hong Kong on 25 April 2002, Thursday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, shares of HK\$0.10 each in the issued share capital of the Company upon the Share Consolidation and the Capital Reduction (as defined below) becoming effective, and (ii) the publication of a notice in Bermuda for the reduction in the share capital of the Company pursuant to section 46 of the Companies Act 1981 of Bermuda, with effect from 10:00 am on 26 April 2002 (“Effective Date”),:

- (a) every twenty (20) existing shares of HK\$0.10 each in the issued and unissued share capital of the Company be consolidated into one (1) share of HK\$2.00 each in the capital of the Company (“Consolidated Share”) (“Share Consolidation”),
- (b) the issued share capital of the Company be reduced by canceling paid up capital to the extent of HK\$1.90 on each of the Consolidation Shares in issue on the Effective Date (“Capital Reduction”) so that each issued share in the capital of the Company shall be treated as one (1) fully-paid up ordinary share of HK\$0.10 each in the capital of the Company, and
- (c) the credit amount arising from the Capital Reduction of approximately HK\$607,463,693.90 be transferred to the contributed surplus account of the Company where it may be applied in accordance with the bye-laws of the Company,

and that the board of directors of the Company be and are hereby authorised generally to do all acts, deeds and things as they may, in their absolute discretion, deem appropriate and in the best interest of the Company to effect and implement the Share Consolidation and the Capital Reduction in accordance with the timetable and the trading arrangement as set out in the circular of the Company dated 2 April 2002 to which this notice forms part and/or any other revised arrangement as the board of directors of the Company may deem fit.”

By order of the Board
Joan Elmond O K Kwok
Company Secretary

Hong Kong, 2 April 2002

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

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

Notes:

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