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

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

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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

CONNECTED TRANSACTION PROPOSED GRANT OF GREEN-SHOE TO PLACEEES AND A CONTROLLING SHAREHOLDER

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

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

VINCO  **城高**
Grand Vinco Capital Limited

A notice convening a special general meeting of Celestial Asia Securities Holdings Limited to be held at 21/F The Center, 99 Queen's Road Central, Hong Kong on 3 September 2007 (Monday) at 9:30 am is set out on pages 39 to 41 of this circular. A letter from the Independent Financial Adviser (as defined herein) containing its advice to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) in relation to the Agreement (as defined herein) and the transactions contemplated thereunder, and the refreshment of the 20% general mandate is set out on pages 19 to 31 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 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 should you so wish.

16 August 2007

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DEFINITIONS

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

“Adjustments”	the adjustments to the Exercise Price. The adjustment events will arise as a result of certain change in the share capital of the Company, including but without limitation to, consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company
“Agreement”	the agreement dated 24 July 2007 entered into among the Company, the Placing Agent and Cash Guardian in relation to the proposed grant of the Green-shoe and issue of the Green-shoe Shares upon exercise of the Green-shoe
“Announcement”	the announcement jointly made by the Company and CFSG on 25 July 2007 in respect of, among other things, the entering into the Top Up Agreement and the Agreement
“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder of the Company
“Associate(s)”	has the same meaning ascribed in the Listing Rules
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cash Guardian”	Cash Guardian Limited, is currently holding 296,042,564 Shares, representing about 32.80% of the existing issued share capital of the Company. Cash Guardian is a controlling Shareholder of the Company, and a company controlled by Mr Kwan Pak Hoo Bankee (Chairman of the Company)
“Board”	the board of the Directors
“CFSG”	CASH Financial Services Group Limited (stock code: 8122), a company incorporated in Bermuda, whose shares are listed on the Growth Enterprise Market of the Stock Exchange, and is a non-wholly-owned subsidiary of the Company

DEFINITIONS

“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Exercise Period”	the exercise period of the Green-shoe as set out in the sub-section headed “Exercise Period” in this circular
“Exercise Price”	the initial exercise price of HK\$2.02 (subject to Adjustments) per Green-shoe Share, being the same price of the Placing Share and the Top Up Share
“Green-shoe”	the unlisted green-shoe proposed to be granted by the Company, subject to Green-shoe Conditions, to the Placees and Cash Guardian which confers the rights to subscribe up to HK\$364,206,000 in aggregate in cash for Shares at the Exercise Price of HK\$2.02 per Share (subject to Adjustments) during the Exercise Period
“Green-shoe Conditions”	the conditions of the Agreement as set out in the sub-section headed “Green-shoe Conditions” in this circular
“Green-shoe Share(s)”	the new Shares that may fall to be issued upon exercise of the subscription rights pursuant to the Green-shoe
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, namely Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin
“Independent Financial Adviser”	Grand Vinco Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Placees and Cash Guardian and their respective Associates
“Independent Third Party(ies)”	to the best of the knowledge, information and belief of the Board having made all reasonable enquiry, such company(ies) or person(s) and their respective ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Last Trading Day”	20 July 2007, being the last trading day for the Shares prior to the date of the Announcement
“Latest Practicable Date”	13 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	the placees of the Placing Shares having been placed by the Placing Agent under the Placing, which are all Independent Third Parties
“Placing”	the placing of the Placing Shares at the Placing Price pursuant to the Top Up Agreement and had been completed as at the Latest Practicable Date
“Placing Agent”	Celestial Securities Limited, being a corporation licensed under SFO to conduct types 1 and 3 regulated activities under SFO and a non-wholly-owned subsidiary of the Company
“Placing Price”	HK\$2.02 per Placing Share
“Placing Share(s)”	130,300,000 Shares originally held by Cash Guardian and had been placed under the Top Up Agreement
“SFC”	the Securities and Futures Commission

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to approve, inter alia, the Agreement and the transactions contemplated thereunder, the refreshment of the 20% general mandate and the increase of authorised share capital
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Top Up”	the subscription of the Top Up Shares at the Top Up Price pursuant to the Top Up Agreement and had been completed as at the Latest Practicable Date
“Top Up Agreement”	the agreement entered into among the Company, Cash Guardian and the Placing Agent on 24 July 2007 in relation to the Placing and the Top Up
“Top Up Conditions”	the conditions of the Top Up as set out in the Top Up Agreement
“Top Up Price”	HK\$2.02 per Top Up Share
“Top Up Share(s)”	130,300,000 new Shares (being the same number of Placing Shares) having been subscribed by Cash Guardian under the Top Up
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong

LETTER FROM THE BOARD



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:

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

Independent non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

21/F The Center
99 Queen's Road Central
Hong Kong
16 August 2007

To Shareholders

Dear Sir/Madam,

CONNECTED TRANSACTION PROPOSED GRANT OF GREEN-SHOE TO PLACEEES AND A CONTROLLING SHAREHOLDER

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

INTRODUCTION

On 25 July 2007, the Board announced that the Company entered into the following agreements on 24 July 2007:

- (a) Top Up Agreement among the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent; and

LETTER FROM THE BOARD

- (b) Agreement between the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent.

Pursuant to the Top Up Agreement:

- (i) the Placing Agent agreed, on a best-efforts basis, to procure the placing of the Placing Shares, being 130,300,000 existing Shares held by Cash Guardian, to Placees at the Placing Price of HK\$2.02 per Placing Share; and
- (ii) Cash Guardian agreed, subject to the Top Up Conditions, to subscribe for the Top Up Shares, being 130,300,000 new Shares at the Top Up Price of HK\$2.02 per Top Up Share.

The Placing and the Top Up under the Top Up Agreement had been completed as at the Latest Practicable Date.

Pursuant to the Agreement, the Company conditionally agreed, subject to the Green-shoe Conditions, to grant the Green-shoe to the Placees and Cash Guardian conferring them the rights to subscribe up to HK\$364,206,000 in aggregate in cash for Shares at the Exercise Price of HK\$2.02 per Green-shoe Share (subject to Adjustments). The Green-shoe Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the SGM.

Cash Guardian is the controlling Shareholder of the Company and is connected person of the Company under the Listing Rules. The entering into the Agreement constitutes a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders at the SGM.

The Company also proposed to (i) refresh the 20% general mandate; and (ii) increase the authorised share capital of the Company in order to facilitate the issue of the Green-shoe Shares at the SGM.

Cash Guardian (being the controlling Shareholder of the Company who controls or is entitled to exercise the control of 32.80% of the voting right of the Company as at the Latest Practicable Date), the Placees and their respective Associates, who had material interest in the Agreement are required to abstain from voting in the resolution to approve the Agreement at the SGM. As Cash Guardian is the controlling Shareholder of the Company, Cash Guardian and its Associates are also required to abstain from voting in favour of the resolution to approve the refreshment of the 20% general mandate at the SGM. Cash Guardian and its Associates do not intend to vote against the resolution to approve the refreshment of the 20% general mandate at the SGM.

LETTER FROM THE BOARD

The Independent Board Committee has been established to consider the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate.

The purpose of this circular is to provide you with further information regarding the Agreement, the refreshment of the 20% general mandate and the increase of authorised share capital and the notice of the SGM at which ordinary resolutions will be proposed to approve the Agreement and the transactions contemplated thereunder, the refreshment of the 20% general mandate and the increase of authorised share capital.

AGREEMENT

Pursuant to the Agreement, the Company has conditionally agreed to grant the Green-shoe to the Placees and Cash Guardian, subject to the Green-shoe Conditions. Notwithstanding completion of the Placing under the Top Up Agreement, the Company emphasises that the grant of the Green-shoe, which is subject to Green-shoe Conditions, may or may not proceed. In addition, the successful grant of the Green-shoe is not a condition precedent of the Placing which may complete without any grant of the Green-shoe.

The principal terms of the Green-shoe proposed to be issued are set out below:

Green-shoe

- Date : 24 July 2007.
- Grantor : The Company.
- Grantees : Placees of the Placing Shares (having been identified by the Placing Agent under the Placing) and Cash Guardian.
- Green-shoe : The rights to subscribe up to HK\$364,206,000 in aggregate in cash for Shares at the Exercise Price of HK\$2.02 per Share (subject to Adjustments) during the Exercise Period. Based on the initial Exercise Price, such number of Green-shoe Shares which shall be the same as the Placing Shares acquired by a particular Placee will be issued to such Placee, and 50,000,000 Green-shoe Shares will be issued to Cash Guardian respectively upon their exercise of the Green-shoe.

LETTER FROM THE BOARD

The exercise of rights under the Green-shoe by each of the Placees and Cash Guardian is at their discretion. If the exercise of rights by any of the Placees and Cash Guardian under the Green-shoe will trigger an obligation to make a general offer under Rule 26 of the Takeovers Code by the Placees and Cash Guardian, the Placees and Cash Guardian will not exercise such rights unless a waiver(s) from the obligation to make a general offer under Rule 26 of the Takeovers Code is granted by the SFC. No such application for waiver to the SFC has yet been made as at the Latest Practicable Date.

Exercise Price : HK\$2.02 per Green-shoe Share, which is same as the Placing Price and the Top Up Price. The Exercise Price for the Green-shoe Shares represents:

- a discount of approximately 5.2% to the closing price of HK\$2.13 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 0.1% to the average of the closing prices as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the Last Trading Day, being approximately HK\$2.022 per Share;
- a premium of approximately 7.4% over the average of the closing prices as quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the Last Trading Day, being approximately HK\$1.88 per Share;
- a premium of 100% over the closing price of HK\$1.01 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- a premium of approximately 339.1% over the audited net asset value of HK\$0.46 per Share based on the audited net asset value of the Group as at 31 December 2006.

LETTER FROM THE BOARD

Terms of the Green-shoe to be granted to the Placees and Cash Guardian are after arm's length negotiation between Company, the Placing Agent and Cash Guardian in consideration of the agreement to purchase of the Placing Shares under the Placing by the Placees, the dilution effect upon the shareholding interest of Cash Guardian upon any exercise of the rights to subscribe for Shares by the Placees under the Green-shoe, and the amount of funds to be raised upon exercise of the Green-shoe. The Board (including the independent non-executive Directors) is of the opinion that the Exercise Price, and the terms of the Green-shoe are fair and reasonable and are in the interests of the Shareholders as a whole.

Exercise Period : The Green-shoe is exercisable during the period from the date of grant of the Green-shoe up to and including the expiry of the three-month period from the date of grant of the Green-shoe. The Company reserves its rights to extend or change the Exercise Period, and any such changes will be announced by the Company in compliance with the Listing Rules.

On the basis that (i) the Exercise Period was determined after arm's length negotiation between the Company, Cash Guardian and the Placing Agent on commercial terms, which is part of the arrangement under the Top Up Agreement, (ii) the grantees of the Green-shoe are given rights to subscribe for additional Shares such that the Company may raise additional funds within the three-month period, and (iii) the Exercise Price represents only a slight discount with reference to the recent market Share prices and a substantial premium as compared with the net asset value of Shares as at 31 December 2006 as disclosed above, the Board is of the opinion that the Exercise Period is fair and reasonable.

Green-shoe Conditions : The issue of the Green-shoe is conditional upon, among other things,:

- (i) approval by Independent Shareholders at the SGM;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal the new Shares that may fall to be issued upon exercise of the subscription rights pursuant to the Green-shoe;

LETTER FROM THE BOARD

- (iii) the authorised share capital of the Company being increased from the existing 1,000,000,000 Shares to 3,000,000,000 Shares; and
- (iv) any other requirement under the Listing Rules and/or of the Stock Exchange.

Completion of the Agreement shall take place on the 3 Business Days upon fulfillment of the Green-shoe Conditions in full, at which time the Green-shoe will be granted to the Placees and Cash Guardian. The Green-shoe Conditions are required to be fulfilled on or before 31 October 2007 or such later date as may be agreed between the Company, the Placing Agent and Cash Guardian. If the Green-shoe Conditions are not fulfilled by such date, the Agreement will terminate.

Transferability : The Green-shoe is not transferable unless written consent of the Company is obtained for such transfer.

Green-shoe Shares to be issued upon exercise

The Green-shoe Shares to be issued upon exercise of the Green-shoe will rank *pari passu* in all respects with the Shares then in issue at the relevant dates of exercise.

Upon full exercise of the Green-shoe at the initial Exercise Price, a total of 180,300,000 Green-shoe Shares, representing approximately 19.98% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 16.65% of the issued share capital of the Company as further enlarged by the Green-shoe Shares (if the Agreement becomes unconditional and is completed) will be issued.

The Green-shoe Shares will be issued under the special mandate proposed to be sought from the Independent Shareholders at the SGM.

Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Green-shoe Shares to be issued upon exercise of the Green-shoe.

Voting rights of the holders of the Green-shoe

A holder of the Green-shoe will not have any right to vote at the general meetings of the Company by virtue of its being the holder of the Green-shoe.

LETTER FROM THE BOARD

Listing of the Green-shoe

No listing of the Green-shoe will be sought on the Stock Exchange or any other stock exchange. However, the Company has applied for the listing on the Stock Exchange of the Green-shoe Shares issuable upon the exercise of the Green-shoe.

SHAREHOLDING STRUCTURE

The shareholding structures of the Company (based on information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) before, and after the issue of the Green-shoe Shares are as follows:

	Existing (as at the Latest Practicable Date)		After issue of the Green-shoe Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Cash Guardian, its Associates and its concert parties	296,140,439	32.81	346,140,439	31.97
Other Directors	7,644,300	0.85	7,644,300	0.71
ARTAR	103,000,000	11.41	103,000,000	9.51
The Placees	139,600,000	15.47	269,900,000	24.93
Other public	356,141,001	39.46	356,141,001	32.88
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>902,525,740</u>	<u>100.00</u>	<u>1,082,825,740</u>	<u>100.00</u>

Note: To the best of knowledge of the Board and the information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date, the Company is not aware that any Placees will or has become a substantial Shareholder of the Company under the Listing Rules after the issue of the Placing Shares, Top Up Shares or Green-shoe Shares.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WAIVER

If the exercise of rights by any of the Placees and Cash Guardian under the Green-shoe will trigger an obligation to make a general offer under Rule 26 of the Takeovers Code by the Placees and Cash Guardian, the Placees and Cash Guardian will not exercise such rights unless a waiver(s) from the obligation to make a general offer under Rule 26 of the Takeovers Code is granted by the SFC. No such application for waiver to the SFC has yet been made as at the Latest Practicable Date

LETTER FROM THE BOARD

REASONS OF THE GREEN-SHOE AND USE OF PROCEEDS

The current principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services; (b) retailing of furniture and household items and trendy digital products; (c) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding.

The Group has been continuously looking for new business opportunities, which could broaden the base of the income stream of the Group and enhance the Shareholders' value. The Board believes that it is fair and reasonable and in the interests of the Shareholders of the Company as a whole to strengthen its funding and capital base of the Group so that the Group will be in the best position to capture investment opportunities ahead. The gross proceeds from the Top Up of approximately HK\$263.2 million and from the exercise (if any) of Green-shoe of approximately HK\$364.2 million shall be used for general investments purposes, including but without limitation, to finance part of the capital contribution under the joint venture agreement in respect of the TD-SCDMA technology as announced by the Company on 19 July 2007.

REFRESHMENT OF GENERAL MANDATE

The general mandate has not been used up since the date of grant on 1 June 2007. The Top Up Shares had used up 96.28% of the general mandate. The Board therefore proposed to pass an ordinary resolution at the SGM to refresh the 20% general mandate so as to allow flexibility for the Board to issue new Shares in the Company as and when necessary, and without seeking further approval from the Shareholders. This could give the Company the flexibility and ability to capture any capital raising or investment or business opportunity as and when it arises. As Cash Guardian is the controlling Shareholder of the Company, Cash Guardian and its Associates are required to abstain from voting in favour of the resolution to approve the refreshment of the 20% general mandate at the SGM. Cash Guardian and its Associates do not intend to vote against the resolution to approve the refreshment of the 20% general mandate at the SGM. The refreshment of the general mandate is subject to approval by the Shareholders, other than Cash Guardian and its Associates, at the SGM.

INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the issue of the Green-shoe Shares, an ordinary resolution will be proposed at the SGM to increase the authorised share capital of the Company from 1,000,000,000 Shares to 3,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares.

LETTER FROM THE BOARD

FINANCIAL INFORMATION ON THE GROUP

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2005 were about HK\$30.1 million and HK\$37.0 million respectively.

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2006 were about HK\$59.3 million and HK\$32.1 million respectively.

The audited consolidated net asset value of the Group as at 31 December 2005 were about HK\$183.3 million, and the audited consolidated net asset value of the Group as at 31 December 2006 were about HK\$305.0 million.

FUND RAISING FOR THE PAST 12 MONTHS

- (a) In November 2006, the Company effected a 2-for-1 rights issue and had raised new capital of around HK\$60.2 million (after expenses), which had been used as to approximately HK\$40 million to expand its retail business in China and the balance of approximately HK\$20.2 million for general working capital, being the same purpose as disclosed in the announcement issued by the Company dated 11 October 2006.
- (b) On 12 June 2007, the Company announced proposed subscription of 50 million new Shares by each of Cash Guardian and an independent third party at a subscription price of HK\$0.52 per Share. The subscription has been completed on 23 July 2007. The Company has applied the net proceeds from the subscription of approximately HK\$52 million for general working capital purposes.
- (c) On 25 July 2007, the Company announced Placing of 130,300,000 Shares held by Cash Guardian to Placees as identified by the Placing Agent and Top Up of 130,300,000 new Shares to Cash Guardian at the Placing price and Top Up price of both HK\$2.02 per Share. The Placing and Top up had been completed as at the Latest Practicable Date, and the proceeds from the Top Up has not been utilised as at the Latest Practicable Date. The Company intends to apply the net proceeds from the Top Up of approximately HK\$263.2 million for general investment purposes.

Save for the aforesaid, the Company had no other fund raising activity in the past 12 months.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

Cash Guardian is the controlling Shareholder of the Company and is connected person of the Company under the Listing Rules. The entering into the Agreement constitutes a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders at the SGM. The Independent Board Committee has been established to consider the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate. Grand Vinco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate.

SGM

Set out on pages 39 to 41 of this circular is a notice convening the SGM in which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Independent Shareholders and/or the Shareholders for approving (1) the Agreement and the transactions contemplated thereunder by poll vote, of which Cash Guardian (being the controlling Shareholder of the Company who controls or is entitled to exercise the control of 32.80% of the voting right of the Company as at the Latest Practicable Date), the Placees and their respective Associates who had material interest in the Agreement are required to abstain from voting; (2) the refreshment of the 20% general mandate by poll vote, of which Cash Guardian (the controlling Shareholder of the Company) and its Associates are required to abstain from voting in favour. Cash Guardian and its Associates do not intend to vote against the resolution to approve the refreshment of the 20% general mandate at the SGM; and (3) the increase of authorised share capital.

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

LETTER FROM THE BOARD

PROCEDURE TO DEMAND A POLL BY SHAREHOLDERS

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

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

RECOMMENDATION

In relation to the Agreement and the refreshment of the 20% general mandate, your attention is drawn to the letters from the Independent Board Committee and the Independent Financial Adviser set out on pages 17 to 31 of this circular. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that (i) the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) the refreshment of the 20% general mandate is in the interests of the Company and the Shareholders as a whole, and it therefore recommends the Independent Shareholders and Shareholders (other than Cash Guardian and its Associates) to vote in favour of the resolutions numbered 1 and 2 relating to (i) the Agreement; and (ii) the refreshment of the 20% general mandate respectively at the SGM.

LETTER FROM THE BOARD

In order to facilitate the issue of any new Shares that may be issuable in the future, the Directors recommend the Shareholders to vote in favour of the ordinary resolution numbered 3 relating to the increase of authorised share capital as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

CASH 
CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

16 August 2007

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
PROPOSED GRANT OF GREEN-SHOE TO PLACEEES AND
A CONTROLLING SHAREHOLDER**

PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE

PROPOSED INCREASE OF AUTHORISED SHARE CAPITAL

We refer to the circular dated 16 August 2007 of the Company (“Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form an Independent Board Committee to consider the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate and to advise the Independent Shareholders whether, in our opinion, the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders as a whole are concerned and are in the interests of the Company and the Shareholders as a whole, and the refreshment of the 20% general mandate is in the interests of the Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder, and the refreshment of the 20% general mandate.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE


We wish to draw your attention to the letter from the Board set out on pages 5 to 16 of the Circular which contains, inter alia, information on the Agreement and the refreshment of the 20% general mandate, and the letter from the Independent Financial Adviser set out on pages 19 to 31 of the Circular which contains its advice in respect of the terms of the Agreement and the refreshment of the 20% general mandate.

Having taken into account the advice of the Independent Financial Adviser, we consider the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and the refreshment of the 20% general mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and Shareholders (other than Cash Guardian and its Associates) to vote in favour of the ordinary resolutions numbered 1 and 2 to be proposed at the SGM to approve the Agreement and the refreshment of the 20% general mandate respectively.

Yours faithfully
Independent Board Committee
Leung Ka Kui Johnny
Wong Chuk Yan
Chan Hak Sin
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate which has been prepared for the purpose of incorporation in this circular:

VINCO  城高
Grand Vinco Capital Limited
Unit 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

16 August 2007

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

Dear Sirs,

**CONNECTED TRANSACTION
PROPOSED GRANT OF GREEN-SHOE TO PLACEEES AND A
CONTROLLING SHAREHOLDER
AND
PROPOSED REFRESHMENT OF 20% NEW ISSUE GENERAL MANDATE**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate, details of which are set out in the "Letter from the Board" in the circular ("Circular") issued by the Company to the Shareholders dated 16 August 2007 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 25 July 2007, the Board announced that, among other things, the entering into of (a) the Top Up Agreement among the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent; and (b) the Agreement between the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the Agreement, the Company conditionally agreed, subject to Green-shoe Conditions, to grant Green-shoe to the Placees and Cash Guardian conferring them the rights to subscribe up to HK\$364,206,000 in aggregate in cash for Shares at the Exercise Price of HK\$2.02 per Green-shoe Share (subject to Adjustments). The Green-shoe Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the SGM.

Cash Guardian is the controlling Shareholder of the Company and is connected person of the Company under the Listing Rules. The entering into the Agreement constitutes a connected transaction for the Company under the Listing Rules which requires the approval of the Independent Shareholders at the SGM.

The Company also proposes to refresh the 20% general mandate so as to allow flexibility for the Board to issue new Shares as and when necessary, and without seeking further approval from the Shareholders.

Cash Guardian (being the controlling Shareholder of the Company who controls or is entitled to exercise the control of 32.80% of the voting right of the Company as at the Latest Practicable Date), the Placees and their respective Associates, who had material interest in the Agreement are required to abstain from voting in the resolution to approve the Agreement. As Cash Guardian is the controlling Shareholder of the Company, Cash Guardian and its Associates are also required to abstain from voting in favour of the resolution to approve the refreshment of the 20% general mandate at the SGM. As stated in the Letter from the Board, Cash Guardian and its Associates do not intend to vote against the resolution to approve the refreshment of the 20% general mandate at the SGM.

The Independent Board Committee, comprising Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate are fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate are in the interests of the Company and the Independent Shareholders as a whole.

As the Independent Financial Adviser to the Independent Board Committee, our role is to give an independent opinion to the Independent Board Committee for it to advise the Independent Shareholders as to whether the respective terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate are fair and reasonable as far as the Independent Shareholders are concerned. We confirm that we are independent from the Company and its connected persons and are not involved in any circumstances stated under Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, 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. 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, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, 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, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. 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, management of the Company and its subsidiaries.

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 have relied on such information and opinions and 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 Group or its future prospect.

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 Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate and, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate, we have considered the principal factors and reasons set out below:

I. The Agreement

Background of and reasons for the Agreement

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

On 25 July 2007, the Board announced that, among other things, the entering into of (a) the Top Up Agreement among the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent; and (b) the Agreement between the Company, Cash Guardian (the controlling Shareholder of the Company) and the Placing Agent.

Pursuant to the Agreement, the Company conditionally agreed, subject to Green-shoe Conditions, to grant Green-shoe to the Placees and Cash Guardian conferring them the rights to subscribe up to HK\$364,206,000 in aggregate in cash for Shares at the Exercise Price of HK\$2.02 per Green-shoe Share (subject to Adjustments). The Green-shoe Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the SGM. Cash Guardian is the controlling Shareholder of the Company and is connected person of the Company under the Listing Rules. Cash Guardian, the Placees and their respective Associates are required to abstain from voting in the resolution to approve the Agreement at the SGM.

The gross proceeds from the exercise (if any) of Green-shoe of approximately HK\$364.2 million shall be used for general investments purposes, including but without limitation, to finance part of the capital contribution under the joint venture agreement in respect of the TD-SCHMA technology as announced by the Company on 19 July 2007.

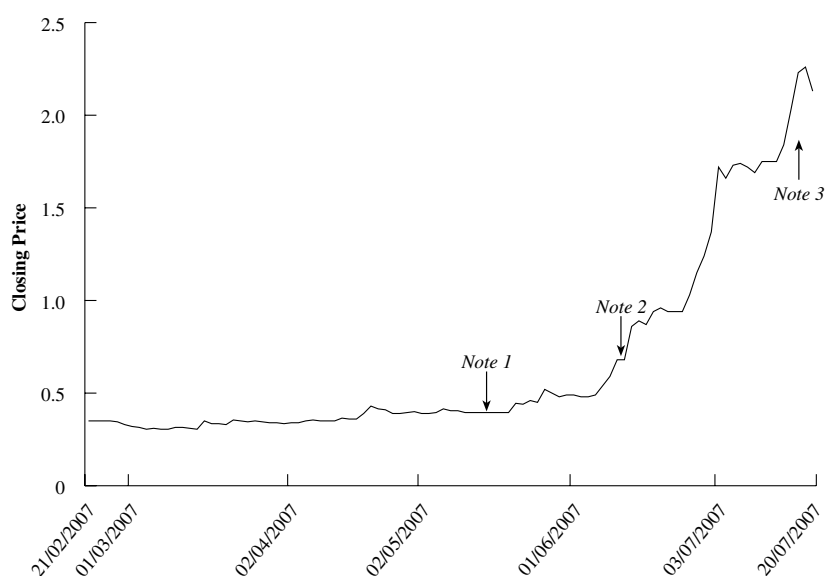
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Terms of the Agreement

As stated in the letter from the Board, the Exercise Price is HK\$2.02, representing:

- i) approximately 5.2% discount to the closing price of HK\$2.13 per Share on the Last Trading Day;
- ii) approximately 0.1% discount to the average closing price of about HK\$2.022 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on the Last Trading Day;
- iii) approximately 7.4% premium to the average closing price of about HK\$1.88 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on the Last Trading Day;
- iv) 100% premium over the closing price of HK\$1.01 per Share on the Latest Practicable Date;
- v) approximately 339.1% premium over the audited net asset value of approximately HK\$0.46 per Share as at 31 December 2006.

We also set out below the historical daily trading volume of the Share and the closing price of the Share during the 6-month period prior to the Last Trading Day (“Review Period”).



Source: Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. The trading in Shares was suspended from 11 May 2007 to 18 May 2007 pending the release of announcement in relation to a mandatory unconditional general offer of CASH Financial Services Group Limited.
2. The trading in Shares was suspended on 12 June 2007 pending the release of announcement in relation to subscription of new Shares.
3. The trading in Shares was suspended on 19 July 2007 pending the release of announcement in relation to a possible major transaction.

We noted that the daily closing prices of the Share was in the range of HK\$0.305 to HK\$2.26 per Share during the Review Period. The average closing price of Share during the Review Period was approximately HK\$0.669 per Share. Therefore, the Exercise Price represents a premium of approximately 201.9% over the average closing price of the Share during the Review Period as compared to the discount of approximately 5.2% to the closing price per Share of HK\$2.13 as at the Last Trading Day.

Although the Exercise Price represents a discount of approximately 5.2% to the closing price of the Share as at the Last Trading Day, Shareholders should also consider the following facts including, (i) the Exercise Price represents a premium over the audited net asset value per Share as at 31 December 2006; (ii) the Exercise Price represents a premium over the average closing price during the Review period; and (iii) the use of proceeds will be utilised as general investments purposes, including but without limitation, to finance part of the capital contribution under the joint venture agreement in respect of the TD-SCHMA technology as announced by the Company on 19 July 2007. Having considered the above factors, we are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable to the Company and the Independent Shareholders as a whole.

Other financing alternatives

As advised by the Directors, they have considered alternative means of financing, including arrangement of new bank loans, rights issue, and open offer. However, taking on additional bank borrowings may increase the Group's current gearing ratio, leading to a rise in borrowing costs and both open offer and rights issue may incur substantial costs to the Company. A typical rights issue or open offer would involve engagement of underwriter. The substantial cost incurred in form of underwriting commission may not be favourable to the Company and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the aforesaid, we concur with the Directors' view that the Green-shoe allows the Company to attract additional funds from the Placees with relatively low transaction cost, which will strengthen the capital base and the financial position of the Company and thus we are of the view that the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

Financial effects of the Agreement

i) Net asset value

With reference to the annual report 2006 of the Company, the audited net asset value of the Group was approximately HK\$305 million as at 31 December 2006. Assuming 180,300,000 Green-shoe Shares are to be issued and allotted at HK\$2.02 per Green-shoe Share, there will be an increase in total assets but no effect on the total liabilities on the Group. In addition, the Exercise Price represents a premium of approximately 339.1% over the net asset value per Share as at 31 December 2006. Therefore, the Agreement, upon completion, will enhance the net asset value of the Group as well as the net asset value per Share of the Group.

ii) Working capital position

With reference to the 2006 annual report of the Company, the audited working capital position of the Group was approximately HK\$155.9 million as at 31 December 2006. Assuming 180,300,000 Green-shoe Shares are to be issued and allotted at HK\$2.02 per Green-shoe Share, the working capital of the Company will be increased by approximately HK\$364.2 million.

iii) Gearing Position

With reference to the 2006 annual report of the Company, the gearing ratio (total liabilities/total assets) of the Group was approximately 0.75 as at 31 December 2006. As stated earlier, with injection of approximately HK\$364.2 million without affecting the total liabilities of the Group, the gearing ratio of the Group should be improved to approximately 0.65.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dilution on shareholding of the existing Shareholders

We set out below the Company's shareholding structure before and after the issue of Green-shoe Shares assuming that there will be no exercise of the outstanding options prior to the completion of the issue of Green-shoe Shares:

Shareholders	After issue of the Placing Shares and the Top Up Shares		After issue of the Placing Shares, the Top Up Shares and the Green-shoe Shares	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Cash Guardian, and its Associates and its concert parties	296,140,439	32.81	346,140,439	31.97
Other Directors	7,644,300	0.85	7,644,300	0.71
ARTAR	103,000,000	11.41	103,000,000	9.51
The Placees	139,600,000	15.47	269,900,000	24.93
Other public Shareholders	356,141,001	39.46	356,141,001	32.88
Total	902,525,740	100.00	1,082,825,740	100.00

As illustrated in the above table, the shareholding of other public Shareholders will be decreased from approximately 39.46% to 32.88%, upon the issuing and allotting of all Green-shoe Shares, which represents a dilution of approximately 6.58% to the other public Shareholders. Having taken into account the abovementioned factors in relation to the Agreement particularly the positive financial effects to the Company as a whole, we are of the view that the dilution to the shareholding of the other public Shareholders is acceptable.

II. Refreshment of 20% general mandate

Background of and reasons for the refreshment of the 20% general mandate

The general mandate was granted to the Directors to allot and issue up to a maximum of 20% of the issued share capital of the Company at the annual general meeting held on 1 June 2007. It was substantially utilised as a result of the Top Up of 130,300,000 new Shares as announced by the Company on 25 July 2007. As at the Latest Practicable Date, the current general mandate was utilised as to 130,300,000 Shares, representing approximately 96.28% of the current general mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In this regard, the Board proposed to pass an ordinary resolution at the SGM to approve the proposed refreshment of the 20% general mandate in accordance with Rule 13.36(4) of the Listing Rules to allow flexibility to issue any additional new Shares so that the Directors would be granted to allot and issue not exceeding 20% of the issued share capital of the Company as at the date of the SGM. The 20% general mandate will be in force when it is approved by the Shareholders (other than Cash Guardian and its Associates) at the SGM.

Fund raising activities in the past 12 months

- (a) In November 2006, the Company effected a 2-for-1 rights issue and had raised new capital of around HK\$60.2 million (after expenses), which had been used as to approximately HK\$40 million to expand its retail business in China and the balance of approximately HK\$20.2 million for general working capital, being the same purpose as disclosed in the announcement issued by the Company dated 11 October 2006.
- (b) On 12 June 2007, the Company announced proposed subscription of 50 million new Shares by each of Cash Guardian and an independent third party at a subscription price of HK\$0.52 per Share. The subscription has been completed on 23 July 2007. The Company has applied the net proceeds from the subscription of approximately HK\$52 million for general working capital purposes.
- (c) On 25 July 2007, the Company announced the Placing and Top Up of 130,300,000 Shares at a price of HK\$2.02 per Placing Share. The Placing and Top Up has been completed and the funds has not been utilised as at the Latest Practicable Date. The Company intends to apply the net proceeds from the Placing and Top Up of approximately HK\$263.2 million for general investments purposes, including but without limitation, to finance part of the capital contribution under the joint venture agreement in respect of the TD-SCHMA technology as announced by the Company on 19 July 2007.

Save for the aforesaid, the Company had no other fund raising activity in the past 12 months.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial flexibility

The Directors believed that the refreshment of 20% general mandate will provide the Company with additional flexibility in deciding the source of finance for any acquisition opportunities that may arise in the future and for the purpose of raising general working capital of the Group.

We consider that the refreshment of the 20% general mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, by way of issue of new Shares. In addition, the Directors consider that if investment or acquisition opportunities arise, decisions may have to be made within a limited period of time. The refreshment of the 20% general mandate would provide the Group with the maximum flexibility as allowed under the Listing Rules to allot and issue new Shares or other convertible instruments to raise capital through placing of Shares as consideration for funding such potential investments and/or acquisitions in the future as and when such opportunities arise. The increased amount of capital which may be raised under the refreshment of the 20% general mandate will provide more options of financing to the Group when assessing and negotiating potential acquisitions in a timely manner.

Other financing alternatives

Other than raising fund by way of issuing equity capital, the Directors confirmed that they will consider other financing methods such as bank financing, debt financing and funding through internal resources in order to meet its financing requirements arising from future development of the Group, depending on the then financial position, capital structure and cost of funding of the Group and the then market condition. As confirmed by the Directors, the 20% general mandate provides another alternative to the Directors to finance the Group's businesses and the Directors will use the method which serves the best interest of the Group. We consider that it is a sensible consideration to make reference to the then financial position of the Group in order to decide on a financing method for the future development of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Potential dilution to shareholding of the Independent Shareholders

Shareholders	After issue of the Placing Shares and the Top Up Shares		Assuming full utilisation of the 20% general mandate	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Cash Guardian, and its Associates and its concert parties	296,140,439	32.81	296,140,439	27.34
Other Directors	7,644,300	0.85	7,644,300	0.71
ARTAR	103,000,000	11.41	103,000,000	9.51
The Placees	139,600,000	15.47	139,600,000	12.89
Other public Shareholders	356,141,001	39.46	356,141,001	32.88
New Shares to be issued under the refreshed 20% general mandate	–	–	180,505,148	16.67
Total	<u>902,525,740</u>	<u>100.00</u>	<u>1,083,030,888</u>	<u>100.00</u>

For illustrative purpose, assuming that (i) the refreshment of the 20% general mandate is approved by the Shareholders (other than Cash Guardian and its Associates) at the SGM; (ii) the Green-shoe have not been exercised by the Placees and Cash Guardian and; (iii) the 20% general mandate is fully utilised, 180,505,148 Shares will be issued, representing 20% of the entire issued share capital of the Company, and approximately 16.67% of the entire issued share capital of the Company as enlarged by the Shares issued under the 20% general mandate respectively.

The aggregate shareholding of the other public Shareholders will decrease from approximately 39.46% to approximately 32.88% upon full utilisation of the 20% general mandate, a potential maximum dilution of approximately 6.58%. Taken into account that the 20% general mandate (i) will provide an alternative to increase the amount of capital which may be raised under the 20% general mandate; (ii) provides more options of financing to the Group for further development of its business as well as in potential investment and/or acquisitions when such opportunities arise and; (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilisation of the 20% general mandate, we consider such potential maximum dilution to shareholdings of the Independent Shareholders to be justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CONCLUSION

Having taken into consideration of the above principal factors and reasons, including:

- 1) the Exercise Price of the Green-shoe is acceptable;
- 2) the use of proceeds will be for general investment purposes, including but without limitation, to finance part of the capital contribution under the joint venture agreement in respect of the TD-SCHMA technology as announced by the Company on 19 July 2007; and
- 3) the Green-shoe, if exercised, will improve the financial position of the Group in terms of net asset value, working capital and gearing ratio,

we are of the view that the terms of the Agreement and the transactions contemplated thereunder are acceptable and are in the interests of the Independent Shareholders and the Company as a whole.

Having taken into consideration of the above principal factors and reasons, including:

- 1) the 20% general mandate will provide an alternative to increase the amount of capital which may be raised;
- 2) the 20% general mandate provides more options of financing to the Group for further development of its business as well as in potential investment and/or acquisitions when such opportunities arise; and
- 3) the fact that the shareholding of all the Shareholders will be diluted proportionally to their respective shareholdings upon any utilisation of the 20% general mandate,

we are of the view that the terms of the refreshment of the 20% general mandate are acceptable and are in the interests of the Independent Shareholders and the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and the Shareholders (other than Cash Guardian and its Associates) to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and the refreshment of the 20% general mandate respectively.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date and subsequent to increase in authorised share capital and the issue of the Green-shoe Shares taking effect, the authorised and issued share capital of the Company are as follows:

Authorised:

<i>HK\$</i>	<i>Number of Shares</i>	
100,000,000.00	1,000,000,000	existing
200,000,000.00	2,000,000,000	to be created
<u>300,000,000.00</u>	<u>3,000,000,000</u>	resultant

Issued and to be issued fully paid:

<i>HK\$</i>	<i>Number of Shares</i>	
90,252,574.00	902,525,740	presently in issue (after the issue of the Placing Shares and the Top Up Shares)
18,030,000.00	180,300,000	Green-shoe Shares to be issued upon exercise of subscription rights under the Green-shoe
<u>108,282,574.00</u>	<u>1,082,825,740</u>	to be in issue upon exercise

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

A. The Company

1. Long positions in the ordinary Shares

Name	Capacity	Number of Shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	296,042,564*	32.80
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	0.85
		<u>7,644,300</u>	<u>296,042,564</u>	<u>33.65</u>

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

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

Name	Date of grant	Exercise period	Exercise price per Share (HK\$)	Number of options outstanding	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.61
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.38
				<u>26,000,000</u>	<u>3.96</u>

B. Associated corporations (within the meaning of the SFO)**(1) Long positions in the ordinary shares of CFSG**

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	717,978,570*	48.40
Law Ping Wah Bernard	Beneficial owner	23,264,000	–	1.57
Wong Kin Yick Kenneth	Beneficial owner	15,860,000	–	1.07
Lin Che Chu George	Beneficial owner	14,080,000	–	0.95
		<u>53,204,000</u>	<u>717,978,570</u>	<u>51.99</u>

* The shares were held as to 671,586,570 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, and as to 46,392,000 shares by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in the Company through Cash Guardian as disclosed in disclosed in the section headed “substantial Shareholders” below.

(2) Long positions in the underlying shares of an associated corporation

On 9 January 2007 (as amended on 22 January 2007), Mr Lin Che Chu George, an executive Director, was granted of an option to acquire from the Group such number of shares in Netfield Technology Limited (an associated corporation of the Group) as representing 10% of the issued share capital in Netfield Technology Limited for a cash consideration of HK\$1.2 million per share. The option is exercisable during the 12-month period immediately before and after the securities of Netfield Technology Limited or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

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

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the ordinary Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Shareholding (%)
Jeffnet Inc (“Jeffnet”) <i>(Note 1)</i>	Trustee of a discretionary trust	296,042,564	32.80
Cash Guardian <i>(Note 1)</i>	Beneficial owner	296,042,564	32.80
Mr Al-Rashid, Abdulrahman Saad (“Mr Al-Rashid”) <i>(Note 2)</i>	Interest in a controlled corporation	103,000,000	11.41
Abdulrahman Saad Al-Rashid & Sons Company Limited (“ARTAR”) <i>(Note 2)</i>	Beneficial owner	103,000,000	11.41

Notes:

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

Save as disclosed above, as at the Latest Practicable Date, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the ordinary Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO.

5. COMPETING INTEREST

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

6. SERVICE CONTRACT

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

7. INTEREST OF DIRECTORS IN GROUP'S ASSETS

- (i) 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 since 31 December 2006 (the date to which the latest published audited accounts of the Group have been made up).
- (ii) No Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. EXPERTS

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

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

As at the Latest Practicable Date, the Independent Financial Adviser were not interested beneficially in the shares in any member of the Group and did not has 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, the Independent Financial Adviser did not has any direct or indirect interest in any assets which has been acquired or disposed of by or leased to the Company or its subsidiaries or is proposed to be acquired or disposed of by or leased to the Company or its subsidiaries since 31 December 2006, being the date up to which the latest published audited consolidated accounts of the Company were made up.

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

9. MATERIAL ADVERSE CHANGES

The Directors has 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 2006, the date to which the latest published audited financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 21/F The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any day up to and including 3 September 2007:—

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 31 of this circular;
- (c) the written consent from the Independent Financial Adviser referred to in the section headed "Expert" in this appendix; and
- (d) the Top Up Agreement and the Agreement.

NOTICE OF THE SGM



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Celestial Asia Securities Holdings Limited (“Company”) will be held at 21/F The Center, 99 Queen’s Road Central, Hong Kong on 3 September 2007, Monday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**, the agreement (“Agreement”) entered into between the Company, Cash Guardian Limited (“Cash Guardian”) (a controlling shareholder of the Company) and Celestial Securities Limited (“Placing Agent”) (a non-wholly-owned subsidiary of the Company) on 24 July 2007 in relation to the proposed grant of the unlisted green-shoe (“Green-shoe”) by the Company, subject to several conditions as set out in the Agreement and described in the circular of the Company dated the same date of this notice, including, inter alia, the duly passing of the resolution numbered (3) below, to the placees (as identified by the Placing Agent under the top up agreement dated 24 July 2007) and Cash Guardian which confers them the rights to subscribe up to HK\$364,206,000 in aggregate in cash for shares in the Company at the exercise price of HK\$2.02 per share (subject to adjustments) during the exercise period as more particularly set out in the Agreement, be hereby approved and the directors of the Company be and are hereby authorised to issue and allot the new shares upon exercise of the subscription rights under the Green-shoe pursuant to or in connection with the terms of the Agreement and generally to do such things or make such arrangement as they may think fit to give effect to the completion of the Agreement.”

2. **“THAT**,
 - (a) the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

NOTICE OF THE SGM

- (b) the approval in paragraph (a) shall authorise the Directors during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to participants of the Company, its subsidiaries, and its ultimate holding company (if any) which is also listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and its subsidiaries, of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;
2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

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3. “**THAT**, the authorised share capital of the Company be increased from HK\$100,000,000 to HK\$300,000,000 by the creation of an additional 2,000,000,000 authorised shares of HK\$0.10 each and the Directors be and are hereby authorised to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect the foregoing.”

By order of the Board

Suzanne W S Luke

Company Secretary

Hong Kong, 16 August 2007

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

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