
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

CASH 
CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

**DISCLOSEABLE TRANSACTION
UNDERWRITING OF AND FULL ACCEPTANCE OF
PROVISIONAL ENTITLEMENT UNDER THE 5 FOR 2 RIGHTS ISSUE OF
CASH FINANCIAL SERVICES GROUP LIMITED**

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Background information on Rights Issue	4
Full acceptance of provisional entitlement	4
Underwriting Agreement	5
Shareholding structure of CFSG	6
Termination of the Underwriting Agreement	7
Reasons for the underwriting of and full acceptance of the Rights Issue	8
Information on the Group	9
Financial information of the CFSG Group	9
Effects of the underwriting of and full acceptance of the Rights Issue	
on the earnings, assets and liabilities of the Group	9
General	10
Additional information	10
Appendix – General information	11

DEFINITIONS

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

“Announcement”	the announcement jointly made by the Company and CFSG on 2 October 2007 in respect of, among other things, the underwriting of and full acceptance of provisional entitlement under the Rights Issue by the Company
“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial CFSG Shareholder
“Associate(s)”	has the meaning ascribed in the Listing Rules
“Board”	the board of the Directors
“CFSG”	CASH Financial Services Group Limited (stock code: 8122), a company incorporated in Bermuda with limited liability and whose shares are listed on the Growth Enterprise Market of the Stock Exchange. CFSG is also a non-wholly-owned subsidiary of the Company and is not a connected person of the Company and its connected person under the Listing Rules
“CFSG Group”	CFSG and its subsidiaries
“CFSG Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of CFSG
“CFSG Shareholder(s)”	holder(s) of CFSG Shares
“Controlling Shareholder” or “CIGL”	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and a 100% wholly-owned subsidiary of the Company, and as at the Latest Practicable Date, is interested in 671,586,570 CFSG Shares, representing approximately 45.27% of the existing issued share capital of CFSG
“Company” or “Underwriter”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“EAF(s)”	application form(s) for excess Rights Shares
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18 October 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PAL(s)”	provisional allotment letter(s)
“Record Date”	29 October 2007, the record date for ascertaining entitlements to the PALs and the EAFs
“Rights Issue”	the issue of 2 Rights Shares for every 5 existing CFSG Shares in issue as at the Record Date at the subscription price of HK\$0.40 per Rights Share
“Rights Share(s)”	new CFSG Share(s) to be issued under the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underwriting Agreement”	the underwriting agreement dated 27 September 2007 entered into between the Company and CFSG in relation to the underwriting for the Rights Issue
“Undertaking Shareholders”	the Controlling Shareholder, certain Directors (being Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth) who are parties acting in concert with the Controlling Shareholder, ARTAR and their respective Associates, and as at the Latest Practicable Date, are interested in an aggregate of 978,818,570 CFSG Shares, representing approximately 65.98% of the existing issued share capital of CFSG
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong

LETTER FROM THE BOARD



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:

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

Independent non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

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

24 October 2007

To Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION
UNDERWRITING OF AND FULL ACCEPTANCE OF
PROVISIONAL ENTITLEMENT UNDER THE 5 FOR 2 RIGHTS ISSUE OF
CASH FINANCIAL SERVICES GROUP LIMITED**

INTRODUCTION

On 2 October 2007, the Board made the Announcement that, among other things, (i) the Controlling Shareholder (a wholly-owned subsidiary of the Company) has irrevocably undertaken to CFSG to take up 268,634,628 Rights Shares under the provisional allotment of the Rights Issue of CFSG at a subscription price of HK\$0.40 per Rights Share, and (ii) the Company entered into the Underwriting Agreement with CFSG on 27 September 2007 pursuant to which the Company has also agreed to fully underwrite not less than 201,893,151 Rights Shares.

LETTER FROM THE BOARD

As the amount of proceeds of HK\$107.5 million to be paid by the Controlling Shareholder for the 268,634,628 Rights Shares under the provisional allotment of the Rights Issue has already exceeded 5% but is less than 25% of the percentage ratios of the Company under the Listing Rules, the transaction constitutes a discloseable transaction for the Company under the Listing Rules. If the Company is further required to take up all the underwritten 201,893,151 Rights Shares upon the closure of the Rights Issue, and together with the acceptance by the Controlling Shareholder of the 268,634,628 Rights Shares under the provisional allotment of the Rights Issue, the total amount of proceeds to be paid by the Group of approximately HK\$188.2 million will still exceed 5% but is less than 25% of the percentage ratios of the Company, and is still a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to give you further information regarding the Underwriting Agreement.

BACKGROUND INFORMATION ON RIGHTS ISSUE

On 2 October 2007, CFSG announced the Rights Issue which proposed to raise approximately HK\$237.4 million (before expenses) by issuing not less than 593,420,579 Rights Shares (assuming the number of CFSG Shares in issue remains unchanged on the Record Date) at a subscription price of HK\$0.40 per Rights Share. CFSG will provisionally allot 2 Rights Shares in nil-paid form for every 5 CFSG Shares held by qualifying CFSG Shareholders on the Record Date.

The Rights Issue is subject to conditions, including but not limited to, the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms (as set out in the section headed "Termination of the Underwriting Agreement" below). The expected latest time for acceptance of, and payment for, Rights Shares will be at 4:00 pm on 14 November 2007, and the Rights Issue is expected to be completed on or before 16 November 2007.

FULL ACCEPTANCE OF PROVISIONAL ENTITLEMENT

As at the Latest Practicable Date, the Controlling Shareholder is interested in 671,586,570 CFSG Shares, representing approximately 45.27% of the existing issued share capital of CFSG. The Controlling Shareholder has irrevocably undertaken to CFSG that it will fully accept its provisional entitlement of 268,634,628 Rights Shares under the Rights Issue at a subscription price of HK\$0.40 per Rights Share.

LETTER FROM THE BOARD

UNDERWRITING AGREEMENT

Date	:	27 September 2007
Underwriter	:	The Company
Issuer	:	CFSG
Number of Rights Shares underwritten	:	Not less than 201,893,151 Rights Shares, being Rights Shares other than those undertaken to be taken up or procured to be taken up by the Undertaking Shareholders (assuming the number of CFSG Shares in issue remains unchanged on the Record Date)
Subscription price	:	HK\$0.40 per Rights Share

The Company does not underwrite issues of securities in its ordinary course of business and will not receive any fee or underwriting commission under the Underwriting Agreement.

If none of the underwritten Rights Shares is accepted or applied for under PALs or EAFs other than those agreed to be applied for by the Undertaking Shareholders and the underwritten Rights Shares are hence taken up by the Company pursuant to the Underwriting Agreement, the Undertaking Shareholders and the Company and their respective Associates will then be ultimately interested in an aggregate of 1,572,239,149 CFSG Shares, representing approximately 75.70% of the issued share capital of CFSG as enlarged by the Rights Issue.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF CFSG

The following table sets out the shareholding structure of CFSG as at the Latest Practicable Date and immediately after completion of the Rights Issue (assuming the number of CFSG Shares in issue remains unchanged on the Record Date):

CFSG Shareholders	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all the underwritten Rights Shares are accepted or applied for under the PALs or EAFs)		Immediately after completion of the Rights Issue (assuming none of the underwritten Rights Shares are accepted or applied for under the PALs or EAFs)	
	<i>No. of CFSG Shares</i>	<i>%</i>	<i>No. of CFSG Shares</i>	<i>%</i>	<i>No. of CFSG Shares</i>	<i>%</i>
Controlling Shareholder <i>(Note 1)</i>	671,586,570	45.27	940,221,198	45.27	940,221,198	45.27
Directors and their Associates <i>(Note 2)</i>	99,596,000	6.71	139,434,400	6.71	139,434,400	6.71
The Company	–	–	–	–	201,893,151	9.72
Sub-total for the Controlling Shareholder and parties acting in concert:	771,182,570	51.98	1,079,655,598	51.98	1,281,548,749	61.70
ARTAR	207,636,000	14.00	290,690,400	14.00	290,690,400	14.00
Public	504,732,878	34.02	706,626,029	34.02	504,732,878	24.30
	1,483,551,448	100.00	2,076,972,027	100.00	2,076,972,027	100.00

Notes:

- (1) The Controlling Shareholder is wholly-owned by the Company.
- (2) The Directors are Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth. The Directors and their Associates are parties acting in concert with the Controlling Shareholder.

LETTER FROM THE BOARD

Assuming that the Company is required to take up all the underwritten 201,893,151 Rights Shares under the Rights Issue, the aggregate shareholding interest of the Controlling Shareholder, the Directors, the Company and their respective Associates in CFSG will be increased from existing 771,182,570 CFSG Shares (representing approximately 51.98% of the existing issued share capital of CFSG) to 1,281,548,749 CFSG Shares (representing approximately 61.70% of the issued share capital of CFSG as enlarged by the Rights Issue) immediately after completion of the Rights Issue. As the Controlling Shareholder and Directors (being parties acting in concert with the Controlling Shareholder) together with their respective Associates are already holding more than 50% of the voting rights of CFSG before the Rights Issue, the Company is not aware of any obligation to make a mandatory general offer under Rules 26 and 32 of the Hong Kong Code on Takeovers and Mergers as a result of the Rights Issue.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations thereunder on the occurrence of any of the following events which happens before 4:00 pm on the second business day after the last day for acceptance of, and payment of, Rights Shares (i.e. 16 November 2007, Friday):

- (a) the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law of regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially adversely affect the business or the financial or trading position or prospects of the CFSG Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which materially adversely affects the business or the financial or trading position or prospects of the CFSG Group as a whole or materially adversely prejudices the success of the Rights Issue or the taking up of the Rights Shares by the members of CFSG or otherwise makes it inexpedient or inadvisable for CFSG or the Underwriter to proceed with the Rights Issue; or

LETTER FROM THE BOARD

- (b) any material change in market conditions or combination of circumstances in Hong Kong or elsewhere (including without limitation suspension or material restriction or trading in securities) occurs which may adversely and materially affect the success of the Rights Issue or the taking up of the Rights Shares by members of CFSG.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

REASONS FOR THE UNDERWRITING OF AND FULL ACCEPTANCE OF THE RIGHTS ISSUE

The Hong Kong stock market has been filled with strong investors' confidence in 2007. The Hang Seng Index broke record one after another in terms of market capitalisation and turnover. The IPO market is hot and a lot of recent IPO issues had been overwhelmingly received by the market because of investors' confidence and the abundance of liquidity. CFSG has experienced the fastest growth in its financial services business in the past two years in line with the good performance of the Hong Kong stock market. Its market share has improved significantly and the brokerage turnover experienced significant growth and recorded successive new highs in 2007. In light of the prospect of a sustainable robust market environment and the stringent financial requirement imposed by the local governing bodies in the brokerage business, the directors of CFSG believe that it is in the interests of CFSG to implement the Rights Issue with a view to strengthening its capital base so that the CFSG Group will be in the best position to capture business opportunities associated with its principal business engagements ahead. CFSG intends to apply the net proceeds of the Rights Issues, which is expected to be approximately HK\$236 million, to support its expanding share margin financing portfolio and to facilitate correspondingly growth in its securities brokerage business in line with market development and for general working capital purposes.

In light of the reasons of the Rights Issue of CFSG as stated above, the Board also believes that it is in the interests of CFSG to implement the Rights Issue with a view to strengthening its capital base so that the CFSG Group will be in the best position to capture business opportunities associated with its principal business engagements ahead. By way of the Rights Issue, CFSG will raise net proceeds of approximately HK\$236 million which will be used to enhance the working capital of the CFSG Group. The Board believes that the Rights Issue and the Underwriting Agreement provide an opportunity for CFSG to expand its securities brokerage and margin financing business. The Board considers that the Rights Issue and the Underwriting Agreement are beneficial to the business of the Group as a whole and are in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The current principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage of securities, options, futures, 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.

FINANCIAL INFORMATION OF THE CFSG GROUP

The audited consolidated net profits before and after taxation, minority interest and extraordinary items of the CFSG Group prepared in accordance with the generally acceptable accounting principles in Hong Kong for the year ended 31 December 2005 were about HK\$23.8 million and HK\$26.6 million respectively, and the audited consolidated net profits before and after taxation, minority interest and extraordinary items of the CFSG Group prepared in accordance with the generally acceptable accounting principles in Hong Kong for the year ended 31 December 2006 were about HK\$46.1 million and HK\$39.9 million respectively. The audited consolidated net assets of the CFSG Group as at 31 December 2005 were about HK\$358.1 million, the audited consolidated net assets of the CFSG Group as at 31 December 2006 were about HK\$483.6 million and the unaudited consolidated net assets of the CFSG Group as at 30 June 2007 were about HK\$556.1 million.

EFFECTS OF THE UNDERWRITING OF AND FULL ACCEPTANCE OF THE RIGHTS ISSUE ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

The underwriting of and full acceptance of the Rights Issue by the Group would not have any effect on the earnings, assets and liabilities of the Group.

LETTER FROM THE BOARD

GENERAL

As the amount of proceeds of HK\$107.5 million to be paid by the Controlling Shareholder for the 268,634,628 Rights Shares under the provisional allotment of the Rights Issue has already exceeded 5% but is less than 25% of the percentage ratios of the Company under the Listing Rules, the transaction constitutes a discloseable transaction for the Company under the Listing Rules. If the Company is further required to take up all the underwritten 201,893,151 Rights Shares upon the closure of the Rights Issue, and together with the acceptance by the Controlling Shareholder of the 268,634,628 Rights Shares under the provisional allotment of the Rights Issue, the total amount of proceeds to be paid by the Group of approximately HK\$188.2 million will still exceed 5% but is less than 25% of the percentage ratios of the Company, and is still a discloseable transaction for the Company under the Listing Rules.

The current principal activities of the CFSG Group are the provision of (a) online and traditional brokerage of securities, options, futures, leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products; (b) margin financing; (c) corporate finance; and (d) other financial services.

ADDITIONAL INFORMATION

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

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

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, 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	–	314,042,564*	34.80
Law Ping Wah Bernard	Beneficial owner	27,644,300	–	3.06
Lin Che Chu George	Beneficial owner	20,000,000	–	2.22
		<u>47,644,300</u>	<u>314,042,564</u>	<u>40.08</u>

* The Shares were held by Cash Guardian Limited ("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

(i) Options under share option scheme

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	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.28
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.28
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.28
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	0.323	4,000,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	0.490	2,500,000	0.28
				26,000,000	2.88

(ii) Green-shoe under the green-shoe agreement dated 24 July 2007

On 10 September 2007, Cash Guardian was granted a green shoe with rights to subscribe up to HK\$101,000,000 in cash for a maximum of 50,000,000 new Shares at the exercise price of HK\$2.02 per Share. The green-shoe is exercisable during the three months period from 10 September 2007 to 9 December 2007 and is subject to the terms and conditions of the green-shoe agreement dated 24 July 2007. Mr Kwan Pak Hoo Bankee was deemed to be interested in the green-shoe held by Cash Guardian as disclosed in the section headed “substantial Shareholders” below.

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

Name	Capacity	Number of CFSG Shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	6,000,000	711,978,570*	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>59,204,000</u>	<u>711,978,570</u>	<u>51.99</u>

* The CFSG Shares were held as to 671,586,570 CFSG Shares by CIGL, a wholly-owned subsidiary of the Company, and as to 40,392,000 CFSG Shares by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these CFSG Shares as a result of his interests in the Company through Cash Guardian as disclosed in disclosed in the section headed “substantial Shareholders” below.

(ii) Long positions in the underlying shares of Netfield Technology Limited

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 (a wholly-owned subsidiary 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 were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, 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 and underlying shares	Shareholding (%)
Jeffnet Inc (“Jeffnet”) <i>(Note)</i>	Trustee of a discretionary trust	364,042,564	40.34
Cash Guardian <i>(Note)</i>	Beneficial owner	364,042,564	40.34

Note: This refers to the 314,042,564 Shares and a green shoe with rights to subscribe up to HK\$101,000,000 in cash for a maximum of 50,000,000 new Shares at the exercise price of HK\$2.02 per Share during the three months period from 10 September 2007 to 9 December 2007 held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet held these Shares and underlying 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 these Shares and underlying shares held by Cash Guardian.

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.

4. COMPETING INTEREST

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

5. SERVICE CONTRACT

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

6. LITIGATION

- (a) During the year ended 31 December 2005, Theodore J Marr (“Marr”) filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr’s claims in the cross-summons against the Company included US\$900,000 arising out of an employment contract between Marr and ILUX Corporation (“ILUX”), a subsidiary of the Company, US\$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US\$5,000,000 in respect of each of Marr’s causes of action against the cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr’s other causes of action against the Company. The Directors are of the opinion that the potential liability arisen from the case is remote, and the case will not have any material impact to the operation of the Group.
- (b) On 11 May 2006, Hallmark Cards, Incorporated (“Petitioner”) filed a petition for a winding-up order against Cosmos Global Limited (“CGL”), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US\$41,591.23 and interest accrued thereon. A winding up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation. CGL is a dormant company and the winding up of CGL will not have any material impact to the operation of the Group.
- (c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited (“CISI”), a non-wholly-owned subsidiary of the Company, (HCCW 317/2005) for an amount of HK\$1,662,598.31. A winding-up order was made by the court, the liquidator has been appointed to wind-up CISI, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim. CISI is a dormant company and the winding up of CISI will not have any material impact to the operation of the Group.

- (d) On 29 August 2002, Pang Po King Cannie (“Pang”) filed a statement of claim against Celestial Securities Limited (“CSL”), a non-wholly-owned subsidiary of the Company, (HCA 3319/2002) for an amount of HK\$2,870,599.31 less the realizable value of the 1,046,000 shares of Takson Holdings Limited, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares in Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge of and authority from Pang. The Directors do not envisage the claim by Pang will be held valid. The case was in progress and the date of trial is fixed from 8 to 11 and 14 January 2008.

Save as disclosed above, neither the Company nor any other company in the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Group.

7. MISCELLANEOUS

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