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CASH
CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

**PROPOSED SHARE CONSOLIDATION
PROPOSED REDUCTION OF SHARE CAPITAL**

The Board proposes to effect simultaneously:

- . the Share Consolidation to consolidate 20 Existing Shares of HK\$0.10 each into 1 Consolidated Share of HK\$2.00 each; and
- . the Capital Reduction to reduce the share capital of a Consolidated Share of HK\$2.00 each to a Reduced Share of HK\$0.10 each.

The reasons of the proposals are:

- . to reduce the number of board lots of the shares in the Company, which will reduce the handling costs of both the Company and the Shareholders dealing in the shares in the Company; and
- . to allow the Company a greater flexibility in pricing its shares in issuance of new shares, as the Existing Shares are presently traded below their par value.

Upon the Share Consolidation and the Capital Reduction taking effect,:

- . the consolidated net assets of the Group will generally remain unchanged;
- . the subscription price of the Warrants is expected to be revised from \$0.65 per Existing Share to \$13.00 per Reduced Share; and
- . the subscription price of and the number of Reduced Shares entitled under each share option of the employees of the Company will be revised according to the share option scheme.

The Share Consolidation and the Capital Reduction are conditional upon, among other things, the Shareholders' approval in SGM. The Circular inscribed with further information of the Share Consolidation and the Capital Reduction together with the notice of the SGM will be despatched to the Shareholders and, for information only, the Warrantheolders.

INTRODUCTION

The Board proposes to put to the Shareholders proposals to effect the Share Consolidation immediately followed by the Capital Reduction at the terms set out hereinafter.

EXISTING SHARE CAPITAL

Authorized share capital : \$1,000,000,000 divided into 10,000,000,000 Existing Shares

Number of Existing Shares in issue : 6,394,354,672 Existing Shares

Issued share capital : \$639,435,467.20

Board lot size : 2,000 units of Existing Shares

SHARE CONSOLIDATION

Terms of consolidation

Basis : To consolidate the issued or unissued ordinary share capital of the Company on the basis of every 20 Existing Shares into 1 Consolidated Share

Fractional Consolidated Share(s) : Fractional Consolidated Share(s) resulted from the Share Consolidation will not be issued and will be considered cancelled by the Company

Reasons for consolidation

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

CAPITAL REDUCTION

Terms of reduction

Basis : Assuming the Share Consolidation taking effect, to reduce each issued or unissued Consolidated Share of \$2.00 in the then ordinary share capital of the Company to a Reduced Share of \$0.10 by the cancellation of \$1.90 thereof

Treatment of reduced share capital : The total amount of reduced share capital resulted from the Capital Reduction will be debited to the share capital account and credited to the contributed surplus account

Reasons for reduction

The Existing Shares are presently traded below their par value. Since new shares in the Company may not be issued below the par value, the existing situation obstructs the Company of issuance of

new shares in the Company at a price acceptable to subscriber but also conformed to statutory rules. The Capital Reduction will reduce the par value of a share in the Company and allow the Company a greater flexibility in pricing its shares in issuance of new shares in a conformed and practicably viable manner. Presently, the Company has no plan to issue any new shares in the Company.

CONDITIONS

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

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

Subject to all conditions being fulfilled, the Share Consolidation and the Capital Reduction will take effect simultaneously.

EFFECTS OF SHARE CONSOLIDATION AND CAPITAL REDUCTION

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

- Authorized share capital : Reduced to 5% of the existing authorized share capital to \$50,000,000 divided into 500,000,000 Reduced Shares
- Number of Reduced Shares then in issue : A maximum of 319,717,733 Reduced Shares (assuming no new shares in the Company are issued prior to the Share Consolidation and the Capital Reduction taking effect)
- Issued share capital : Reduced to approximately 5% of the existing issued share capital to a maximum of \$31,917,773.30 by a reduction of approximately \$607,463,693.90
- Board lot size : 2,000 units of Reduced Shares with a temporary counter for trading in board lots of 100 units of Reduced Shares to be arranged immediately following the Share Consolidation and the Capital Reduction taking effect
- Rights attached to Reduced Shares : The right attached to a Reduced Share shall remain unchanged after the Share Consolidation and the Capital Reduction and is

equivalent to that of 20 Existing Shares, and there will be no diminution of any liability in respect of payment to any Shareholder of any paid up capital, except no fractional entitlement, if any, as a result of the Share Consolidation will be issued to Shareholder but will be cancelled by the Company

Contributed surplus account : To be enlarged by approximately \$607,463,693.90 transferred from the issued share capital account

Consolidated net assets : The consolidated net assets of the Group will remain unchanged save for (i) expenses to be incurred to effect the Share Consolidation and the Capital Reduction, and (ii) the increase in share premium due to the cancellation of any fractional entitlements of the Reduced Shares, if any

Adjustment to subscription prices and terms of Warrants and share options

Subject to the Share Consolidation taking effect, (i) the subscription price of the Warrants is expected to be revised from \$0.65 per Existing Share to \$13.00 per Reduced Share in accordance with the terms of the instrument constituting the Warrants, and (ii) the exercise price of and the number of Reduced Shares entitled under each share option granted to the employees of the Group will be adjusted in accordance with the share option scheme of the Company. The Capital Reduction will not have any effect to any term of the Warrants or the share options. The adjustments to the Warrants and the share options and the timetable thereof are subject to certification by a merchant bank or the Company's auditor and will be disclosed in the Circular.

DEALINGS IN REDUCED SHARES AND SHARE CERTIFICATES

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

Application will be made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Reduced Shares and arrangement will be made to enable the Reduced Shares to be admitted to the Central Clearing and Settlement System for securities clearing and settlement purpose.

GENERAL

The Circular will be despatched to Shareholders and, for information purpose, the Warranholders as soon as practicable.

DEFINITIONS

"Board"	the board of directors of the Company
"Capital Reduction"	the proposed capital reduction of Consolidated Shares, issued or remain unissued, into Reduced Shares on the basis set out in the section headed "Capital Reduction"
"Circular"	the circular containing details of the Share Consolidation and the Capital Reduction, and the notice of SGM
"Company"	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
"Consolidated Share(s)"	share(s) of \$2.00 each in the share capital of the Company proposed to be created immediately after the Share Consolidation but before the Capital Reduction
"Existing Share(s)"	existing share(s) of \$0.10 each in the share capital of the Company
"Group"	the Company and its subsidiaries
"Reduced Share(s)"	share(s) of \$0.10 each in the share capital of the Company proposed to be created after the Share Consolidation and the Capital Reduction
"SGM"	the special general meeting of the Company to be held to approve the Share Consolidation and the Capital Reduction
"Share Consolidation"	the proposed share consolidation of every 20 issued or unissued Existing Shares into 1 Consolidated Share
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Warrantholders"	holders of the Warrants
"Warrants"	the existing warrants of the Company with outstanding subscription rights to subscribe up to a maximum aggregate amount of \$323,118,682.25 in cash for new Existing Shares at an exercise price of \$0.65 per Existing Share (subject to adjustment) at any time on or before 31 July 2002, all of which are currently listed on the Stock Exchange
"\$"	Hong Kong dollar(s)

By order of the Board
Joan Elmond O K Kwok

Executive Director

Hong Kong, 15 March 2002

Please also refer to the published version of this announcement in the Hong Kong iMail.