

CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

MAJOR TRANSACTION

INVESTMENT IN A BEIJING PROPERTY INTEREST BY THE

PROPOSED ACQUISITION OF RAINBOW DAY INVESTMENTS LIMITED

The Board announces that on 19 December 2003, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor. Pursuant to the Agreement, the Purchaser shall acquire from the Vendor his entire equity interest in Rainbow Day at a consideration of \$233,740,000 (equivalent to RMB248,000,000) which shall be settled as to \$120,640,000 by cash and as to \$113,100,000 by issue of the Consideration Shares.

Rainbow Day is a company incorporated in the British Virgin Islands and is engaged in property investment. Rainbow Day was established by the Vendor to hold the Property together with Mortgage(s), which will be transferred, assigned and/or novated from the Lessor Company, a company controlled by the Vendor, to Rainbow Day. Upon completion of the Acquisition, Rainbow Day will become a wholly-owned subsidiary of the Group and its principal asset will be the Property.

The entering into the Agreement constitutes a major transaction for the Company under the Listing Rules and the Agreement is subject to the Conditions.

A circular containing, inter alia, details of the Agreement and notice of the SGM will be despatched to the shareholders of the Company within 21 days from the date of this announcement.

INTRODUCTION

The Purchaser, being a wholly-owned subsidiary of the Company, has entered into the Agreement with the Vendor on 19 December 2003 pursuant to which the Purchaser shall purchase from the Vendor his entire equity interest in Rainbow Day at a consideration of \$233,740,000 (equivalent to RMB248,000,000).

AGREEMENT

Date : 19 December 2003

Vendor : Mr John Rui Ming Long, an individual third party not connected with the connected persons (as defined in the Listing Rules) of the Company or its subsidiaries or their respective associates

Purchaser : Cheer Forever Limited, a wholly-owned subsidiary of the Company

Subject to be acquired : entire equity interest in Rainbow Day

Consideration : The consideration of \$233,740,000 (equivalent to RMB248,000,000) is determined between the Vendor and the Purchaser on an arm's length basis and will be paid in the following manner:—

- (1) an amount of \$7,540,000 (equivalent to RMB8,000,000) shall be paid to the Purchaser's solicitor as stakeholder as a refundable deposit within three Business Days after (A) the Purchaser being satisfied, by way of a legal opinion from a reputable firm of PRC lawyers and/or documentary evidence from the PRC governmental authorities that the Lessor Company has the legal and beneficial title of the Property, the condition of which has been fulfilled as of the date of the legal opinion; (B) the Lessor Company having obtained the written confirmation from the Lessee pursuant to which the Lessee (a) consents to the transfer of the Property from the Lessor Company to Rainbow Day contemplated under the Property Acquisition Agreement; and (b) waives its right of first refusal to acquire the Property; and (C) the receipt by the Purchaser of the consent from all the mortgagees of the Property for the release and/or the transfer of the Property;
- (2) an amount of \$113,100,000 (equivalent to RMB120,000,000) by the issue of the Consideration Shares at completion of the Acquisition; and
- (3) an amount of \$113,100,000 (equivalent to RMB120,000,000) payable in the following manner:—
 - (i) as to the interest at the rate of 7% per annum accrued for year 2004 thereon from the date of completion of the Acquisition to 31 December 2004, on or before 31 December 2004;
 - (ii) as to the interest at the rate of 7% per annum accrued for year 2005 thereon from 1 January 2005 to 31 December 2005, on or before 31 December 2005; and
 - (iii) as to the principal of \$113,100,000 (equivalent to RMB120,000,000) together with the interest at the rate of 7% per annum accrued for year 2006 from 1 January 2006 to 31 December 2006, on or before 31 December 2006.

Completion : On the 3rd business day following the date on which all Conditions are fulfilled or waived (as the case may be) which is expected to be in late April 2004 or any other later date as may be agreed between the Vendor and the Purchaser.

CONDITIONS

Completion of the Acquisition shall be subject to, inter alia:—

- (i) the shareholders of the Company voting at a special general meeting convened for the purpose of approving the entering into of this Agreement and the transactions contemplated therein, in accordance with the requirements of the Listing Rules;
- (ii) SEHK having granted the listing of, and permission to deal in, the Consideration Shares;
- (iii) the receipt by the Purchaser of a legal opinion from a reputable firm of British Virgin Islands lawyers confirming, inter alia, the due establishment and good standing of Rainbow Day (such legal opinion to be in form and substance acceptable to the Purchaser);
- (iv) the receipt by the Purchaser of the original of a letter from the Lessee to the Lessor Company and Rainbow Day providing, inter alia, its consent to the transfer of the Property from the Lessor Company to Rainbow Day and its waiver regarding the first right of refusal to purchase the Property from the Lessor Company pursuant to the terms of the Lease in form and substance acceptable to the Purchaser;
- (v) the Purchaser being satisfied with the results of the due diligence review conducted on the Property, the Lease, the Lessor Company and Rainbow Day;
- (vi) the receipt by the Purchaser of certified true copies of the consents from all the mortgagee(s) of the Property for the transfer of the Property and/or the release of the Mortgage(s) registered against the Property in form and substance acceptable to the Purchaser;
- (vii) the receipt by the Purchaser of a legal opinion from a reputable firm of PRC lawyers confirming, inter alia, (a) the validity of the transfer of the Property from the Lessor Company to Rainbow Day and (b) the validity of the land use right certificates and other title documents in respect of the Property issued by the relevant PRC authorities to Rainbow Day; and
- (viii) all necessary consents being granted by third parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit, restrict or materially delay the Acquisition having been proposed, enacted or taken by any governmental or official authority in form and substance acceptable to the Purchaser.

If any of the Conditions is not fulfilled or waived (other than condition precedent (ii)), as applicable, on or before 30 June 2004, or such later date as the Vendor and the Purchaser may agree, the Agreement shall lapse.

ISSUE OF CONSIDERATION SHARES

The Consideration Shares to be issued to the Vendor upon completion of the Acquisition will rank pari passu in all respects with the Shares then in issue. The Consideration Shares shall represent about 30.9% of the existing issued share capital of the Company and about 23.63% as enlarged by the Consideration Shares. The Issue Price represents (i) a premium of about 38.9% over the closing price per Share as quoted on SEHK on 18 December 2003 of \$0.72 per Share and (ii) a premium of about 54% over the average of the closing prices of the Shares as quoted on SEHK for the 10 trading days up to and including 18 December 2003 of \$0.648 per Share. Based on the closing price of \$0.72 per Share as quoted on SEHK on 18 December 2003, the aggregate value of the consideration for the Acquisition, which comprises the Consideration Shares and cash consideration of \$120,640,000 amounts to \$202,072,000.

The Vendor has given an undertaking in the Agreement that he or his nominee or trustee holding in trust for him the Consideration Shares shall not for a period of one year commencing the completion of the Acquisition sell, transfer or otherwise dispose of any of the Consideration Shares without the prior written consent of the Purchaser.

BUSINESS OF THE COMPANY AND THE GROUP

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) financial services provided via CASH Financial Services Group Limited, a non-wholly owned subsidiary of the Company, including online and traditional brokerage and trading of securities, futures, commodities and options, margin financing and corporate finance, (b) retailing of furniture and household items provided via Pricerite Group Limited, a non-wholly owned subsidiary of the Company, (c) technology development projects, and (d) investment holding including property investment.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are 365,483,827 Shares in issue and there are 20,500,000 outstanding options which entitle the holders thereof to subscribe for a total of 20,500,000 Shares. Other than the said 20,500,000 options, there are no securities in issue which are convertible into Shares as at the date of this announcement.

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Acquisition:—

Shareholders	As at the date of this announcement		Immediately after completion of the Acquisition (assuming the outstanding options of the Company have not been exercised)		Immediately after completion of the Acquisition (assuming the outstanding options of the Company have been fully exercised)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cash Guardian Limited	156,952,376	42.94	156,952,376	32.80	156,952,376	31.45
Directors	10,693,775	2.93	10,693,775	2.23	28,193,775	5.65
Vendor	—	—	113,100,000	23.63	113,100,000	22.66
Public	197,837,676	54.13	197,837,676	41.34	200,837,676	40.24
	<u>365,483,827</u>	<u>100.00</u>	<u>478,583,827</u>	<u>100.00</u>	<u>499,083,827</u>	<u>100.00</u>

The Vendor is a merchant with many years of experience in property development, investment and management in PRC. The Vendor will not participate in the management of the Group nor will he or any person as his nominee or representative be appointed as a member of the Board upon completion of the Acquisition. Further, the Board does not anticipate that there will be any change in the company strategy as a result of the Acquisition.

RAINBOW DAY

Rainbow Day is a company incorporated in the British Virgin Islands and is engaged in property investment. Rainbow Day was established by the Vendor to hold the Property together with Mortgage(s) of approximately but not more than RMB372 million (equivalent to about \$350.6 million), which will be transferred, assigned and/or novated, subject to the consent of the mortgagees, from the Lessor Company, a company controlled by the Vendor, to Rainbow Day pursuant to the Property Acquisition Agreement. The Property was valued by independent professional valuers at about RMB621 million (equivalent to about \$585.3 million) as at 4 September 2003. Upon Completion of the Acquisition, Rainbow Day will become a wholly-owned subsidiary of the Group and its principal asset will be the Property with net assets of about RMB249 million (equivalent to about \$234.7 million). The Property is currently held by the Lessor Company and is situated at No.3 Shilipu, Chaoyang District, Beijing, PRC (中國北京市朝陽區朝陽路十里堡甲3號). The Property comprises a 5-storey building and 3 levels of basement with an aggregate gross floor area of about 43,843 square meters together with 180 car parking spaces. The Property is situated on a piece of land with land use right certificate granted to the Lessor Company for a term of about 35 years from 22 July 1998 to 4 June 2033 which will also be transferred to Rainbow Day upon completion of the Acquisition. The Property other than its fifth floor is currently leased to the Lessee which uses the Property as a Japanese department store for a term of 20 years from 3 July 1997. The Lessee and the Lessor Company can terminate the Lease from the fifteenth year after 3 July 1997 with one year's prior written notice. The fifth floor of the Property is currently subject to the lease agreement dated 21 July 2002 between the Lessor Company and Beijing Jia Lin Men Trade Development Co., Ltd (北京嘉臨門經貿發展有限公司) for a term of 15 years. The aggregate gross rental income from the Property for the year ended 31 December 2002 amounted to about RMB50 million. There have been no audited accounts of Rainbow Day since its incorporation on 18 August 2003.

REASONS FOR THE ACQUISITION

The Board takes the view that the PRC property market is promising and the Property is very well located in Beijing. To diversify and expand the Group's investment portfolio with reasonably good return under its existing business of property investment holding, the Group entered into the Agreement. The Property is now mainly leased to the Lessee under the Lease with a yearly rental of about RMB50 million and an annual rental return rate of approximately 8%. The Board further believes that the Property which is subject to the Lease will generate stable and recurring income to the Group and the earning base of the Group will thus be substantially enhanced after the Acquisition.

GENERAL

The entering into the Agreement constitutes a major transaction for the Company under the Listing Rules and is conditional upon, among other things, approval from the shareholders of the Company in the SGM. Since no shareholder of the Company has any interest in the Acquisition other than through the holding of Shares, no shareholder of the Company shall be required to abstain from voting at the SGM.

Application will be made to SEHK for the listing of, and permission to deal in, the Consideration Shares.

A circular containing, inter alia, the details of the Agreement, a valuation report of the Property and notice of the SGM will be despatched to the shareholders of the Company within 21 days from the date of this announcement.

DEFINITIONS

“Acquisition”	Acquisition by the Purchaser of the entire equity interest of Rainbow Day pursuant and subject to the terms and conditions of the Agreement
“Agreement”	the conditional sale and purchase agreement entered into, inter alia, between the Vendor and the Purchaser on 19 December 2003 for the sale and purchase of the entire equity interest in Rainbow Day
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturday) on which commercial banks are generally open for banking business in Hong Kong
“Company”	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of SEHK
“Conditions”	all the conditions precedent for the completion of the Agreement including those set out in the section headed “Conditions” in this announcement
“Consideration Shares”	113,100,000 new Shares to be issued by the Company as part payment of the consideration for the Acquisition
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	\$1.00 per Share, being the issue price of the Consideration Shares
“Lease”	the lease agreement dated 3 July 1997 between the Lessor Company and the Lessee in relation to certain parts of the Property
“Lessee”	Hua Tang Yokado Commercial Co., Ltd (華糖洋華堂商業有限公司), the lessee of the Property under the Lease and an independent third party not connected with the connected persons (as defined under the Listing Rules) of the Company or its subsidiaries or their respective associates
“Lessor Company”	Beijing Jing Gang Properties Resources Development Co., Ltd (北京京港物業發展有限公司) the current owner of the Property, an independent third party not connected with the connected persons (as defined under the Listing Rules) of the Company or its subsidiaries or their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on the SEHK
“Mortgage(s)”	Mortgage(s) of the Property as security for loans of approximately and not more than RMB372,000,000 on terms acceptable to the Purchaser
“PRC”	the People's Republic of China
“Property”	the property in PRC currently held by the Lessor Company and situate at No.3 Shilipu, Chaoyang District, Beijing, PRC (中國北京市朝陽區朝陽路十里堡甲3號) comprising a 5-storey building and 3 levels of basement with an aggregate gross floor area of about 43,843 square meters together with 180 car parking spaces and the land use right thereof
“Property Acquisition Agreement”	外銷商品房買賣契, the agreement dated the same date of the Agreement entered into between the Lessor Company as transferor and Rainbow Day as transferee in respect of the transfer of the Property
“Purchaser”	Cheer Forever Limited, a wholly-owned subsidiary of the Company
“Rainbow Day”	Rainbow Day Investments Limited, a company incorporated in the British Virgin Islands with limited liability, of which the Vendor is the sole shareholder and director
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“SGM”	special general meeting of the Company
“Shares”	ordinary shares of \$0.10 each in the capital of the Company
“Vendor”	Mr John Rui Ming Long, an individual, not being a connected person of the Company or its subsidiaries or their respective associates under the Listing Rules and did not hold any Shares as at the date of this announcement
“\$”	Hong Kong dollar(s)

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 19 December 2003