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## CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)  
(Stock code #1049)

### Proposed Issue of New Shares to an Independent Third Party and Resumption of Trading

The Board announces that on 19 August 2004, the Company entered into the Agreement with the Subscriber. Pursuant to the Agreement, the Company will issue the Subscription Shares to the Subscriber at the Subscription Price. The Subscriber is an independent third party and not a connected person of the Company, as defined under Listing Rules.

The Subscription Shares will be issued under the general mandate of the Company granted to the Board on 17 May 2004. The completion of the Agreement is subject to the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares.

Trading in the Shares on the Stock Exchange was suspended from 9:30 am on 20 August 2004. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 23 August 2004.

On 19 August 2004, the Company entered into the Agreement with the Subscriber under which, the Company shall issue to the Subscriber the Subscription Shares at the Subscription Price.

#### AGREEMENT

##### Date

19 August 2004

##### Parties

Issuer : the Company

Subscriber : Abdulrahman Saad Al-Rashid & Sons Company Limited, an independent third party, which is not a connected person of the Company as defined under the Listing Rules, but is the subscriber of the Convertible Note to be issued by CFSG, a company listed on the GEM and is 51.27% owned by the Company, as announced by CFSG on 16 August 2004. The Subscriber currently is also developing business relationship with the group of our another non-wholly owned subsidiary, Pricerite Group Limited (a company listed on the Stock Exchange), in relation to bulk supply of household and furniture products which is the ordinary business of that group. Save as disclosed hereto, there was no prior business relationship between the Group and the Subscriber. The Subscriber was introduced to our Group through business association.

##### Principal Terms

Subscription Shares : 72,000,000 new Shares, representing 19.70% of the existing share capital of the Company and 16.46% of the share capital of the Company as enlarged by the issue of the Subscription Share, which will be issued under the general mandate of the Company granted to the Board on 17 May 2004 allowing the Board to issue a maximum of 20% of its issued Shares, being 73,096,765 Shares. After the issue of the Subscription Shares, there remains 1,096,765 additional Shares allowed to be issued under the general mandate.

Subscription Price : \$0.330 per Subscription Share, determined on an arm's length basis between the Company and the Subscriber with reference to the recent market Share prices, being:

- about 8.33% discount to the closing price of \$0.360 per Share on 19 August 2004 (the date of the Agreement);
- about 6.25% discount to the average closing price of about \$0.352 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 19 August 2004;
- about 6.52% discount to the average closing price of about \$0.353 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 19 August 2004;
- about 45.90% discount to the unaudited adjusted proforma consolidated net tangible value of the Company as at 30 June 2004 of \$0.610 per Share.

The Board is of the view that the Subscription Price is fair and reasonable to the Company and the Shareholders as a whole.

Subscription amount : \$23,760,000 in cash

##### Conditions

The issue of the Subscription Shares is conditional upon, among other things, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares.

The Conditions are required to be fulfilled on or before 30 September 2004 or such later date as may be agreed between the Company and the Subscriber. If the Conditions are not fulfilled by such date, the Agreement will terminate.

##### Completion

The Agreement shall be completed within 2 business days (or any extended period as agreed by the Company) after the Agreement becoming unconditional.

##### SHAREHOLDING STRUCTURE

The shareholding structures of the Company before and after the completion of the Agreement are as follows:

Shareholder	Existing		Upon completion of Agreement	
	Number of Shares	%	Number of Shares	%
Controlling Shareholder <sup>(1)</sup>	164,028,376	44.88	164,028,376	37.49
Other Directors <sup>(2)</sup>	10,693,775	2.93	10,693,775	2.44
The Subscriber	0	0.00	72,000,000	16.46
Public	190,761,676	52.19	190,761,676	43.61
<b>Total</b>	<b>365,483,827</b>	<b>100.00</b>	<b>437,483,827</b>	<b>100.00</b>

(1) The Shares held by the controlling Shareholder is deemed to be interested by Mr Bankee Kwan, the chairman of the Company.

(2) The Shares are held by Mr Bernard Law, Dr Bob Chan, Ms Joan Kwok, Mr Eugene Law and Mr Thomas Li, all being executive Directors.

#### INFORMATION OF SUBSCRIBER

The Subscriber is a member of a business group with major presence in Saudi Arabia. The beneficiary of the Subscriber is a family trust held in trust for a Saudi Arabian family.

The principal activity of the Subscriber is investment holding and its group is engaged in many different lines of business in Saudi Arabia, such as contracting, real estate, trading, industrial, food catering, agriculture, banking, health care and investment in real estate, equities, bonds and private placement.

#### REASON FOR THE AGREEMENT AND USE OF PROCEEDS

The principal activities of the Group consist of (a) financial services provided via CFSG and its subsidiaries including online and traditional brokerage and trading of securities, futures, commodities and option, margin financing, corporate finance and other financial services, (b) retailing of furniture and household items, (c) investment holding including property investment, (d) business solutions, and (e) brand management.

As the development opportunities of the relevant business industries of the local market from which most of the income of the Group derive are quite restricted and limited, the Group is intending to diversify the businesses of the Group to a wider scope with a wider range of income base and to expand its business exposure to a more dispersed market with international coverage, including distribution of the products and merchandises managed and distributed by the Group to the international market ("International Business"). Currently, the Group is in negotiation with several international business parties for the development of the International Business including business coverage over Hawaii, United Kingdom, Thailand, the Philippines, Malaysia, Singapore, Australia, etc. In view of the strong business background and the presence and establishment of the Subscriber in the middle east market and in various industries as described in the section under "Information of Subscriber" above, the Board believes that recruiting the Subscriber as a substantial Shareholder and a strategic partner of the Company will allow more business opportunities in the international market and various business sectors to be accessible by the Group which helps the development of our International Business. The Company intends to apply the net proceeds from the Agreement, which will be approximately \$23.7 million, as to approximately \$20 million for the development of the International Business while the balance as the general working capital of the Group.

The Company had no fund raising activity in the past 12 months.

The Board does not anticipate any change of the directorate following and in relation to completion of the Agreement.

#### GENERAL

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

Trading in the Shares on the Stock Exchange was suspended from 9:30 am on 20 August 2004. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 23 August 2004.

#### DEFINITIONS

"Agreement"	the agreement entered into between the Company and the Subscriber on 19 August 2004 in relation to the proposed issue of the Subscription Shares at the Subscription Price
"Board"	the board of the Directors
"CFSG"	CASH Financial Services Group Limited, a company listed on GEM and is a 51.27% subsidiary of the Company
"Company"	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Conditions"	the conditions of the Agreement as set out in the sub-section headed "Conditions" in this announcement
"Convertible Note"	the convertible note of principal amount of \$40,500,000 to be issued by CFSG as announced by CFSG on 16 August 2004
"Directors"	directors of the Company
"GEM"	Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Share(s)"	ordinary share(s) of \$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Abdulrahman Saad Al-Rashid & Sons Company Limited, an independent third party, which is not a connected person of the Company as defined under the Listing Rules
"Subscription Price"	\$0.330 per Subscription Share
"Subscription Share(s)"	72,000,000 new Shares to be issued upon completion of the Agreement
"\$"	Hong Kong dollar(s)

On behalf of the Board  
**Bankee P Kwan**  
Chairman & CEO

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth, Mr Miao Wen Hao Felix, Dr Chan Yau Ching Bob, Ms Kwok Oi Kuen Joan Elmond, Mr Law Ka Kin Eugene, Mr Li Yuen Cheuk Thomas, and the independent non-executive Directors are Dr Chan Hak Sin, Mr Leung Ka Kui Johnny and Mr Wong Chuk Yan.

Hong Kong, 20 August 2004