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## CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

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

### Proposed subscription of new shares in the Company Connected Transaction – Proposed subscription of new shares in the Company by a substantial shareholder and Resumption of trading

The Board announces that on 12 June 2007, the Company entered into the Subscription Agreements with each of the Subscriber A and the Subscriber B pursuant to which the Subscribers have agreed to subscribe for the Subscription Shares, being a total of 100,000,000 new Shares, at the Subscription Price of HK\$0.52 per Subscription Share.

The Subscriber A is a substantial shareholder of the Company and a connected person of the Company (as defined under the Listing Rules). The entering into the Subscription Agreement A constitutes a connected transaction for the Company under the Listing Rules. The Subscription Agreements are subject to the Conditions set out in the paragraph headed "Conditions" under the section headed "The Subscription Agreements" below. One of the Conditions is that the resolution(s) approving the Subscription Agreements by the Independent Shareholders in the SGM. The Subscriber A is currently holding 246,042,564 Shares, representing about 37.49% of the existing issued share capital of the Company. The Subscriber A and its associates are required to abstain from voting in the resolution to approve the Subscription Agreements in the SGM.

A circular containing the details of the Subscription Agreements and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

The Board noted the increases in the price and the trading volume of the Shares in the morning session on 11 June 2007 and wishes to state that the Board is not aware of any reason for such increases.

The Board also confirms that, save for the proposed subscription of the Subscription Shares as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Trading in the Shares on the Stock Exchange was suspended from 2:30 pm on 11 June 2007. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 13 June 2007.

#### THE SUBSCRIPTION AGREEMENTS

On 12 June 2007, the Company and the Subscribers entered into the Subscription Agreements under which the Subscribers have agreed to subscribe and the Company has agreed to issue the Subscription Shares at the following terms.

#### Parties

Issuer : the Company

The Subscribers : The Subscriber A and the Subscriber B.

The Subscriber A is a substantial shareholder of the Company and a connected person of the Company (as defined under the Listing Rules). The principal activity of the Subscriber A is investment holding.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the Subscriber B and its ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company. The principal activity of the Subscriber B is management and investment of professional mutual fund.

Subscription Shares : A total of 100,000,000 new Shares, being 50,000,000 new Shares to be subscribed by the Subscriber A and 50,000,000 new Shares to be subscribed by the Subscriber B, representing approximately 15.24% of the existing issued share capital of the Company and approximately 13.22% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming there will be no exercise of the outstanding Options prior to Completion).

Ranking of the Subscription Shares : HK\$0.52 per Subscription Share, determined on an arm's length basis between the Company and the Subscribers with reference to the recent market Share prices, being:

- about 23.5% discount to the closing price of HK\$0.68 per Share on the Last Trading Day;
- about 6.5% discount to the average closing price of about HK\$0.556 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on the Last Trading Day;
- about 0.4% discount to the average closing price of about HK\$0.522 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on the Last Trading Day.

The net price of each Subscription Share is also HK\$0.52. The terms of the Subscription Agreements were determined after arm's length negotiation between the Company and the Subscribers. Although the Subscription Price represents a discount of approximately 23.5% to the closing price of HK\$0.68 per Share on the Last Trading Day, on the basis that (a) the Subscription Price of HK\$0.52 per Share also represents only a slight discount of about 6.5% and 0.4% to the average closing price for the 5 trading days and 10 trading days respectively ended on the Last Trading Day; (b) premium of about 13.0% over the audited net asset value of approximately HK\$0.46 per Share as at 31 December 2006; (c) the relatively thin trading volume of the Shares (the average daily volume was approximately 3,365,401 Shares based on the 3 months' trading volume up to 31 May 2007, representing approximately only 3.4% of the Subscription Shares), the Board is of the opinion that the terms of the Subscription Agreements and of the transactions contemplated thereunder including the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### Conditions

Completion is conditional upon fulfillment of the following Conditions in full:–

- the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares;
- the approvals of the Subscription Agreements and the allotment of the Subscription Shares by the Independent Shareholders in the SGM;
- the simultaneous completion of the Subscription Agreement A and the Subscription Agreement B;
- the compliance of any other requirement that may be required by the Stock Exchange;
- the Subscribers being satisfied with the results of their respective due diligence investigations on the Company (including, without limitation, legal, operational and financial due diligence);
- the Company's warranties under the Subscription Agreements being true, accurate and correct in all material respects as at Completion; and
- the Subscribers having performed all their respective obligations under the Subscription Agreements, on or before Completion in all material respects including the payment of the Subscription Price for their respective Subscription Shares.

The Conditions are required to be fulfilled on or before 31 October 2007 or such later date as may be agreed between the Company and the Subscribers. If the Conditions are not fulfilled by such date, the Subscription Agreements will terminate.

#### Completion

Completion of the Subscription Agreements will take place simultaneously. The Subscription Agreements shall be completed within 3 business days (or any extended period as agreed by the Company and the Subscribers) after the fulfilment of the Conditions pursuant to the Subscription Agreements. The Subscribers shall at Completion pay the aggregate issue price for their respective Subscription Shares of HK\$26,000,000 to the Company and the Company shall issue and allot the Subscription Shares to the respective Subscribers or their nominee(s).

#### SHAREHOLDING STRUCTURE

The shareholding structures of the Company before and after Completion (assuming there will be no exercise of the outstanding Options prior to Completion) are as follows:

Shareholders	Existing		Upon Completion	
	Number of Shares	%	Number of Shares	%
Director	7,644,300	1.16	7,644,300	1.01
ARTAR	103,000,000	15.70	103,000,000	13.62
The Subscriber A	246,042,564	37.49	296,042,564	39.15
The Subscriber B	–	–	50,000,000	6.61
Other public	299,538,876	45.65	299,538,876	39.61
Total	<u>656,225,740</u>	<u>100.00</u>	<u>756,225,740</u>	<u>100.00</u>

#### 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, 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 (c) investment holding.

The Company intends to apply the net proceeds from the Subscription Agreements, which is expected to be approximately HK\$52 million, for general working capital purposes.

#### FINANCIAL INFORMATION ON THE COMPANY

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**

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), as to approximately HK\$40 million to expand its retail business in the PRC and the balance of approximately HK\$20.2 million for general working capital. The net proceeds were applied as follows:

**Actual use of net proceeds**

	<i>HK\$</i>
Expanded retail business in the PRC	40.0 million
General working capital	20.2 million
	<u>60.2 million</u>

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

**GENERAL**

The entering into the Subscription Agreement A constitutes a connected transaction for the Company under the Listing Rules. The Subscription Agreements are subject to the Conditions including the passing of ordinary resolution(s) to approve the Subscription Agreements by the Independent Shareholders in the SGM.

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

The Subscriber A is currently holding 246,042,564 Shares, representing about 37.49% of the existing issued share capital of the Company. The Subscriber A and its associates are required to abstain from voting in the resolution to approve the Subscription Agreements in the SGM.

A circular containing the details of the Subscription Agreements and the notice of the SGM will be despatched to the Shareholders as soon as practicable. In the SGM, resolutions will be brought forward to consider to approve the Subscription Agreements and the allotment of the Subscription Shares.

The Board noted the increases in the price and the trading volume of the Shares in the morning session on 11 June 2007 and wishes to state that the Board is not aware of any reason for such increases.

The Board also confirms that, save for the proposed subscription of the Subscription Shares as disclosed in this announcement, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

The above statements were made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of the statements.

Trading in the Shares on the Stock Exchange was suspended from 2:30 pm on 11 June 2007. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 13 June 2007.

**DEFINITIONS**

“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder of the Company.
“associates”	has the same 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, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange and a subsidiary of the Company
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the issue and allotment of the Subscription Shares pursuant to the Subscription Agreements
“Conditions”	the conditions of the Subscription Agreements as set out in the sub-section headed “Conditions” in this announcement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Subscriber A and its associates
“Last Trading Day”	the morning session on 11 June 2007, the last trading session prior to the date of this announcement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Options”	options granted or to be granted to executive directors, employees, consultant, adviser or agent of any member of the Group pursuant to the share option scheme of the Company adopted on 19 February 2002 which entitle the holder thereof to subscribe for Share(s) at a certain exercise price
“SGM”	the special general meeting of the Company to be held to approve, inter alia, the Subscription Agreements and the allotment of the Subscription Shares
“Share(s)”	share(s) of HK\$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 A”	Cash Guardian Limited, a substantial Shareholder of the Company, and a company controlled by Mr Kwan Pak Hoo Bankee (Chairman of the Company)
“Subscriber B”	Proteus Growth Fund Limited who is third party independent of the Company and connected person (as defined under the Listing Rules) of the Company
“Subscribers”	the Subscriber A and the Subscriber B
“Subscription Agreement A”	the subscription agreement entered into between the Company and the Subscriber A on 12 June 2007 in relation to the proposed issue of 50,000,000 Subscription Shares to the Subscriber A at the Subscription Price
“Subscription Agreement B”	the subscription agreement entered into between the Company and the Subscriber B on 12 June 2007 in relation to the proposed issue of 50,000,000 Subscription Shares to the Subscriber B at the Subscription Price
“Subscription Agreements”	the Subscription Agreement A and the Subscription Agreement B
“Subscription Price”	HK\$0.52 per Subscription Share
“Subscription Shares”	100,000,000 new Shares to be issued upon Completion
“HK\$”	Hong Kong dollar(s)
“PRC”	the People’s Republic of China

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

*As at the date hereof, the Company’s executive Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Lin Che Chu George, and its independent non-executive Directors are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.*

Hong Kong, 12 June 2007