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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

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

PROPOSED RIGHTS ISSUE OF 218,741,913 SHARES ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AND RESUMPTION OF TRADING

- The Board announces that the Company proposed to raise approximately HK\$61.2 million (before expenses) by issuing 218,741,913 Rights Shares (assuming the number of Shares in issue remains unchanged on the Record Date) at the Subscription Price of HK\$0.28 per Share by way of Rights Issue. Currently, the Company has 437,483,827 Shares in issue. The Company will provisionally allot 1 Rights Share in nil-paid form for every 2 Shares held by Qualifying Shareholders on the Record Date. Rights Shares will not be issued to the Excluded Overseas Shareholders.
- The Undertaking Shareholders and their Associates, at the date of this announcement, are interested in an aggregate of 236,028,376 Shares, representing approximately 53.95% of the existing issued share capital of the Company. The Undertaking Shareholders have irrevocably undertaken to the Company that, inter alia, they will accept their respective entitlements of a total of 118,014,188 Right Shares under the Rights Issue.
- The balance of the 100,727,725 Rights Shares (assuming the number of Shares in issue remains unchanged on the Record Date) has been fully underwritten by the Underwriter (being a company principally engaged in the provision of corporate finance advisory services and underwriting of securities and an indirect non-wholly-owned subsidiary of the Company).
- The Rights Issue is subject to the Conditions as described under the section headed "Conditions of the Rights Issue" below. **Accordingly, the Rights Issue may or may not proceed. It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate its obligations thereunder on the occurrence of certain events including force majeure. Investors' attention is also drawn to the paragraphs headed "Termination of the Underwriting Agreement" and "Warning of risk of dealings in Shares and nil-paid Rights Shares" below.**
- It is expected that the Company will on 31 October 2006 despatch the Prospectus Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Excluded Overseas Shareholders.
- The last day of dealings in Shares on a cum-rights basis will be 23 October 2006. Shares will be dealt in on an ex-rights basis from 24 October 2006. To qualify for the Rights Issue, all transfers of Shares must be lodged with the Branch Registrars for registration by 4:00 pm on 25 October 2006.
- The proceeds from the Rights Issue will be used as to approximately HK\$40 million for the expansion of retail business in the PRC while the balance as the general working capital of the Group.
- Trading in the Shares was suspended from 9:30 am on 10 October 2006 at the request of the Company pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 12 October 2006.

TERMS OF THE RIGHTS ISSUE

Rights Issue basis and Subscription Price

Existing number of Shares in issue	: 437,483,827 Shares
Basis of the Rights Issue	: 1 Rights Share for every 2 Shares held on the Record Date
Number of Rights Shares to be issued	: 218,741,913 Rights Shares assuming the number of Shares in issue remains unchanged on the Record Date
Subscription Price	: HK\$0.28 per Rights Share in cash representing a discount of approximately 27.3%, 31.5% and 26.7% respectively to the closing price of HK\$0.385 per Share as quoted on the Stock Exchange on 9 October 2006 (the last trading day prior to the suspension of trading in the Shares), the average closing prices of the 10 trading days and 30 trading days up to and including 9 October 2006 of approximately HK\$0.409 per Share and HK\$0.382 per Share respectively, and a discount of approximately 20.0% to the theoretical ex-rights price of approximately HK\$0.350 per Share. The Subscription Price also represents a discount of approximately 34.0% to the unaudited consolidated net assets of the Group as at 30 June 2006 of HK\$0.424 per Share.

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to the recent market prices of the Shares under the prevailing market conditions. Although the Subscription Price represents a substantial discount to the unaudited consolidated net assets per Share, on the basis that (i) the discount of the Subscription Price as compared with the recent market prices would encourage the Qualifying Shareholders to participate in the Rights Issue, (ii) the relatively thin trading volume of the Shares (which average daily volume is 376,217 Shares based on preceding 30 days trading volume up to and including 9 October 2006, representing 0.17% of the Rights Shares) and the amount of new funds to be raised from the Rights Issue, the Board is of the opinion that the Subscription Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Status of the Rights Shares

When allotted and issued as fully paid, the Rights Shares will rank pari passu in all respects with the then existing Shares as at the date of allotment. Holders of the fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the allotment of the Rights Shares.

Despatch of Rights Share certificates and refund cheques

Share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partly unsuccessful applications for excess Rights Shares are expected to be posted by 17 November 2006 to those entitled thereto.

Qualifying Shareholders and Excluded Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Board will make enquiries to its lawyers as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Overseas Shareholders. The result of the enquiries will be included in the Prospectus.

Arrangements will be made for Rights Shares which would otherwise be provisionally allotted to Excluded Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be distributed to Excluded Overseas Shareholders on a pro rata basis and be sent to them, at their own risk, in Hong Kong dollars as soon as practicable. Individual amount of less than HK\$100 will be retained by the Company. Entitlements not sold in the market will be available for application by Qualifying Shareholders on EAFs.

Application for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of Excluded Overseas Shareholders and any Rights Shares provisionally allotted but not accepted. Applications for excess Rights Shares can be made by completing the EAFs. The Directors will allocate the excess Rights Shares at their discretion but will give preference to topping-up odd lots to whole board lots and on a fair basis.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares in both nil-paid and fully-paid forms.

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty in Hong Kong.

Registration

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda.

UNDERTAKING AND UNDERWRITING ARRANGEMENT

Undertaking by the Undertaking Shareholders

As at the date of this announcement, the Undertaking Shareholders and their Associates are beneficially interested in an aggregate of 236,028,376 Shares representing approximately 53.95% of the existing issued share capital of the Company. The Undertaking Shareholders have undertaken to the Company to take up or procure the taking up of a total of 118,014,188 Rights Shares which will be provisionally allotted to them and their respective Associates respectively. In addition, the Underwriter, an indirect non-wholly-owned subsidiary of the Company, has agreed with the Company to fully underwrite the balance of the 100,727,725 Rights Shares pursuant to the Underwriting Agreement as disclosed below.

Underwriting Agreement

Date	: 10 October 2006
Underwriter	: Celestial Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and an indirect non-wholly-owned subsidiary of the Company
Issuer	: the Company
Number of Rights Shares underwritten	: Rights Shares other than those undertaken by the Undertaking Shareholders (assuming the number of Shares in issue remains unchanged on the Record Date, that is 100,727,725 Shares)
Subscription Price	: HK\$0.28 per Rights Share
Underwritten amount	: HK\$28,203,763

The Underwriter will be entitled to an underwriting commission of 2.5% (which is a normal commercial rate in the opinion of the Directors) of the underwritten amount under the Underwriting Agreement, being approximately HK\$705,000. The Underwriter is a connected person of the Company under the Listing Rules. The Underwriting Agreement constitutes a connected transaction of the Company exempted from announcement and shareholders' approval requirements pursuant to rules 14A.31(2)(b) and 14A.31(3)(c) of the Listing Rules

The Underwriter has made sub-underwriting arrangement with sub-underwriters, being independent third parties. If some or all of the underwritten Rights Shares is not accepted or applied for under PALs or EAFs, the sub-underwriters shall take up, or procure independent third parties to take up, the underwritten Rights Shares that are not taken up by the Qualifying Shareholders and the Underwriter shall in any event not itself take up any Rights Shares pursuant to the Underwriting Agreement.

As at the date of this announcement, there are no outstanding Options or any convertible loan notes of the Company.

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

Shareholders	As at the date of this announcement		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 except that the Undertaking Shareholders take up all their entitlements)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Undertaking Shareholders						
(a) Cash Guardian*	164,028,376	37.49	246,042,564	37.49	246,042,564	37.49
(b) ARTAR	72,000,000	16.46	108,000,000	16.46	108,000,000	16.46
Other Directors	7,598,075	1.73	11,397,112	1.73	7,598,075	1.16
Public – existing	193,857,376	44.32	290,786,064	44.32	193,857,376	29.54
– sub-underwriters**	–	–	–	–	100,727,725	15.35
	<u>437,483,827</u>	<u>100.00</u>	<u>656,225,740</u>	<u>100.00</u>	<u>656,225,740</u>	<u>100.00</u>

* A company which is an Associate of Mr Kwan Pak Hoo Bankee, Chairman of the Company.

** Pursuant to the sub-underwriting arrangement, in case of under-subscription, the sub-underwriters shall take up, or procure independent third parties to take up, the Rights Shares that are not taken up by the Qualifying Shareholders.

TERMINATION OF THE UNDERWRITING AGREEMENT

If any of the following events happens before 4:00 pm on the second business day after the last day for acceptance of, and payment of, Rights Shares, then the Underwriter may in its reasonable opinion terminate the Underwriting Agreement:

- (a) the success of the Rights Issue would be materially and adversely affected by:
- 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 Group as a whole; or
 - 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 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 the Company or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Rights Issue; or
- (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 the Company.

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

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, inter alia, each of the following events occurring on or before 16 November 2006 (or such later date as the Company and the Underwriter may agree):

- the Bermuda Monetary Authority granting consent to the issue of the Rights Shares, if required;
- the due filing and registration of the Prospectus Documents with the Registrar of Companies in Bermuda, if required;
- the due registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms by no later than the date of despatch of the Prospectus Documents;
- the despatch of the Prospectus Documents by the Company; and
- the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms.

The Rights Issue will not be completed if any of the above Conditions is not satisfied.

EXPECTED TIMETABLE

The timetable for the Rights Issue arrangement is listed below and may be subject to changes. The final timetable will be set out in the Prospectus.

2006

Last day of dealings in existing Shares on a cum-rights basis	Monday, 23 October
Commencement of dealings in existing Shares on an ex-rights basis	Tuesday, 24 October
Latest time for lodging transfers of Shares in order to qualify for the allotment of Rights Shares in nil-paid form	4:00 pm on Wednesday, 25 October
Register of members closed (both dates inclusive)	Thursday, 26 October – Friday, 27 October
Record Date	Friday, 27 October
Register of members re-open	Tuesday, 31 October
Prospectus Documents expected to be despatched on	Tuesday, 31 October
First day of dealings in nil-paid Rights Shares	Wednesday, 1 November
Expected latest time for splitting nil-paid Rights Shares	4:00 pm on Monday, 6 November
Last day of dealings in nil-paid Rights Shares	Thursday, 9 November
Expected latest time for acceptance of and payment for Rights Shares	4:00 pm on Tuesday, 14 November
Rights Issue and Underwriting Agreement to become unconditional on or before	Thursday, 16 November
Publication of the announcement of result of acceptance of the Rights Issue	Friday, 17 November
Refund cheques in respect of unsuccessful or partially successful applications for excess Rights Shares expected to be despatched on or before	Friday, 17 November
Certificates for Rights Shares expected to be despatched on or before	Friday, 17 November
Expected commencement of dealings in Rights Shares	Tuesday, 21 November

CLOSURE OF REGISTER OF MEMBERS

In order to be registered as a member on the Record Date, Shareholders must lodge the transfer of Shares (with the relevant share certificate(s)) with the Branch Registrars at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 pm on 25 October 2006.

The register of members of the Company will be closed from 26 October 2006 to 27 October 2006 (both dates inclusive). During the period, no transfer of Shares will be effected.

WARNING OF RISK OF DEALINGS IN SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from 24 October 2006. Dealings in the nil-paid Rights Shares are expected to take place from 1 November 2006 to 9 November 2006 (both dates inclusive) in the same board lot size of the existing Shares, that is, 2,000 nil-paid Rights Shares. If the Underwriter terminates the Underwriting Agreement or any of the Conditions is not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares up to the date on which all the Conditions are fulfilled and the date on which the Underwriter's right of termination ceases who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares up to the date on which all the Conditions are fulfilled and the date on which the Underwriter's right of termination ceases, and any persons dealing in the nil-paid Rights Shares during the period from 1 November 2006 to 9 November 2006 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. In particular, the Directors would like to draw your attention to the fact that the Underwriting Agreement may be terminated if prior to 4:00 pm on the second business day after the latest time for acceptance and payment of Rights Shares, in the reasonable opinion of the Underwriter that, inter alia, the success of the Rights Issue would be materially and adversely affected by, inter alia, any of the conditions mentioned under the sub-heading "Termination of the Underwriting Agreement" above.

FUND RAISING IN THE PAST 12 MONTHS

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

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The current principal activities of the Group consist of (a) retailing of furniture and household items and trendy digital products; (b) provision of financial services via CFSG Group 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 and other financial services and online game services; and (c) investment holding including share investment in CRMG Group which engages in businesses for operation of department store and store management services in the PRC. Upon completion of disposal of 27.0% interest in CRMG (as announced on 28 August 2006), the Company will cease to engage in operation of department store and store management services business in the PRC via CRMG Group.

The Group's business of retailing furniture and household items and trendy digital products are carried on via its famous retail outlets, namely Pricerite Stores ("Pricerite"), 3C Digital and LZ LifeZtore. Pricerite has re-positioned to be a "neat and clean" specialist and has enhanced its operating efficiencies as well as better control over its profit margins and product quality. 3C Digital has successfully established a strong brand image in the trendy digital product segment to capitalise on the booming demand for digital products among local trend-seekers and tourists. LZ LifeZtore was formally launched at the end of 2005 to meet the lifestyle needs of the higher-spending younger generation. The three brand names have gained recognition and popularity in Hong Kong in recent years. The retail business in Hong Kong progressed steadily from 2005 onwards. It has been the corporate strategy of the Group to develop its retail business in Hong Kong and to expand its retail business in the PRC should the business opportunities arise.

The PRC has been one of the world's fastest growing economies over the past decade. Intensive growth of PRC economy has resulted in an improvement in the living standards and purchasing powers of PRC citizens. PRC is the world's largest potential market for consumer goods and the increase in the household consumption expenditure would provide ample opportunities for the retail industry in the PRC. It is expected that the PRC market would record a massive growth over the next few years given that a middle-class group expanding in size and household income increasing. In light of the future prospects of the retail industry in the PRC, the Board is endeavouring to expand the household retailing business as well as opening new shops in the PRC with its reputable brand names as developed in Hong Kong. LZ LifeZtore will be opening stores in Shanghai in the second half of 2006. The Directors believe that it is in the interests of the Company to implement the Rights Issue with a view to strengthening its capital base so that the Group will be in the best position to capture business opportunities for expansion of its retail business in the PRC. The Company intends to apply the net proceeds of the Rights Issues as to approximately HK\$40 million to expand its retail business in the PRC and the balance for general working capital purposes.

GENERAL

Trading in the Shares was suspended from 9:30 am on 10 October 2006 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 am on 12 October 2006.

DEFINITIONS

“ARTAR”	Abdulrahman Saad Al-Rashid & Sons Company Limited, a substantial Shareholder of the Company
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Branch Registrars”	Standard Registrars Limited, the branch registrars of the Company, and whose principle place of business is situate at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong
“Cash Guardian”	Cash Guardian Limited, a substantial Shareholder, and is an Associate of Mr Kwan Pak Hoo Bankee, Chairman of the Company
“CFSG Group”	CASH Financial Services Group Limited (stock code: 8122) and its subsidiaries
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and which Shares are listed on the main board of the Stock Exchange
“Conditions”	the conditions of the Rights Issue as set out in the paragraph headed “Conditions of the Rights Issue”
“CRMG Group”	CASH Retail Management Group Limited (stock code: 996) and its subsidiaries
“Director(s)”	the director(s) of the Company
“EAF(s)”	application form(s) for excess Rights Shares
“Excluded Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on that register of members of the Company on that date situated outside Hong Kong where the Directors, after making enquiries, consider it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares to such Overseas Shareholders
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Options”	share options granted or to be granted by the Directors under the share option scheme of the Company
“Overseas Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on that register of members of the Company on that date situated outside Hong Kong
“PAL(s)”	provisional allotment letter(s)
“PRC”	the People’s Republic of China
“Prospectus”	prospectus in relation to the Rights Issue
“Prospectus Documents”	documents comprising the Prospectus, the EAF(s) and the PAL(s)
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the Record Date other than the Excluded Overseas Shareholders
“Record Date”	27 October 2006, the record date for ascertaining entitlements to the PALs and the EAFs
“Rights Issue”	the issue of 1 Rights Share for every 2 existing Shares in issue as at the Record Date at the Subscription Price
“Rights Share(s)”	new Share(s) to be issued under the Rights Issue
“Share(s)”	share(s) of HK\$0.10 each in the Company and are listed on the main board of the Stock Exchange
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.28 per Rights Share
“Undertaking Shareholders”	Cash Guardian and ARTAR and, as at the date of this announcement, are interested in an aggregate of 236,028,376 Shares, representing approximately 53.95% of the existing issued share capital of the Company
“Underwriter”	Celestial Capital Limited, a licensed corporation to carry on business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and an indirect non-wholly-owned subsidiary of the Company
“Underwriting Agreement”	the underwriting agreement dated 10 October 2006 entered into between the Company and the Underwriter in relation to the underwriting for the Rights Issue
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong

On behalf of the board
Bankee P Kwan
 Chairman

Hong Kong, 11 October 2006

As at the date hereof, the executive Directors of the Company are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth and Mr Li Yuen Cheuk Thomas, and the independent non-executive Directors of the Company are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.