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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock code: 1049)

Discloseable transaction

- **Deemed disposal upon dilution of interest of the Company in a subsidiary resulting from the proposed issue of new shares by this subsidiary and Resumption of Trading**

The Board announces that after the trading hours on 7 December 2007, Netfield (a wholly-owned subsidiary of the Company) entered into the Agreement with the Subscriber (Independent Third Party). Pursuant to the Agreement, Netfield will issue the Subscription Shares (which represented approximately 3.4% of the issued share capital of Netfield as enlarged by the Subscription Shares) to the Subscriber at the Consideration of US\$6 million (equivalent to approximately HK\$46.8 million) in cash. The Subscription Price was arrived at after an arm's length negotiation between Netfield and the Subscriber and was determined with reference to the pre-money valuation of the Game Group of US\$168 million.

The Board further announces that Netfield has also entered into the Framework Agreement with another potential subscriber (an Independent Third Party). Pursuant to the Framework Agreement, Netfield will further issue new Netfield Shares at approximately US\$10 million (equivalent to approximately HK\$78 million) at the same Subscription Price with reference to the aforesaid pre-money valuation of the Game Group of US\$168 million (equivalent to approximately HK\$1,310.4 million). The formal subscription agreement with this new potential subscriber is scheduled to be signed in February 2008 upon the completion of the legal due diligence on the Game Group. The Company will make a further announcement, if necessary, to update the progress in accordance with the requirement of the Listing Rules.

Netfield is currently a wholly-owned subsidiary of the Company and is the holding company of the Game Group, which engages in online game business.

After the issue of the Subscription Shares, the shareholding interest of the Company in Netfield will be diluted from existing 100% to 96.6%. Under the Listing Rules, such dilution of shareholding interest in Netfield is regarded as a deemed disposal by the Company of shareholding interest in Netfield and constitutes a discloseable transaction of the Company. A circular containing the details of the Agreement will be dispatched to the Shareholders as soon as practicable.

Trading in the shares of the Company was suspended from 9:40 am on 10 December 2007 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 of the Company with effect from 9:30 am on 11 December 2007.

INTRODUCTION

On 7 December 2007 after the trading hours, Netfield and the Subscriber entered into the Agreement under which, Netfield shall issue to the Subscriber the Subscription Shares at the Consideration in cash. The detailed terms of the Agreement are set out below.

AGREEMENT

Date : 7 December 2007

Parties : (i) Netfield (a wholly-owned subsidiary of the Company) as the issuer
(ii) the Subscriber, an Independent Third Party, as the subscriber

The principal activity of the Subscriber is management and investment of professional mutual funds.

Subscription Shares : A total of 60,000 new Netfield Shares to be subscribed by the Subscriber, representing approximately 3.4% of the existing issued share capital of Netfield of 1,680,000 Netfield Shares as enlarged by the issue of the Subscription Shares.

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

Subscription Price : US\$100 (equivalent to HK\$780) per Subscription Share, determined on an arm's length negotiation between Netfield and the Subscriber, being:-

- equivalent to the pre-money valuation value of US\$100 per Netfield Share as at 31 October 2007; and
- represents a substantial premium over the unaudited consolidated net asset value of deficit of HK\$16.8 per Netfield Share as at 31 October 2007.

The pre-money valuation of the Game Group was agreed by the parties to the Agreement based on the business operation, the research and development capabilities and overseas distribution network, and the market response to the new games of the Game Group, and with reference to the market valuation of other similar online game business. The valuation also reflects the investors' confidence in the prospects of the business of the Game Group.

As the Subscription Price is equivalent to the pre-money valuation of each Netfield Share and represents a substantial premium over the unaudited consolidated net asset value per Netfield Share, the Board is of opinion that the terms of the Agreement and of the transactions contemplated thereunder including the Subscription Price are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Subscription amount : a total of US\$6 million (equivalent to approximately HK\$46.8 million) in cash will be paid by the Subscriber to Netfield on the date of Completion.

Conditions

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

- (a) Completion and execution of all relevant investment documentation for the transaction, in form and substance mutually acceptable to the Subscriber and Netfield;
- (b) the obtaining of all relevant consents and approvals for the transaction, including the internal approvals of Netfield, investment committee approvals of the Subscriber and all relevant regulatory bodies and government approvals; and
- (c) completion of business, financial and legal due diligence reasonably satisfactory to the Subscriber.

If the Conditions have not been fulfilled or otherwise waived by Netfield on or before Completion and the non-fulfillment is not attributable to the default of any of the parties to the Agreement, the Agreement shall become null and void and of no legal effect and neither of the parties to the Agreement shall have any claim and/or recourse against the other save and except any antecedent breach of the terms of the Agreement.

Completion

Completion of the Agreement will take place on or before 31 January 2008 (or any extended period as agreed by Netfield and the Subscriber) after the fulfilment of the Conditions pursuant to the Agreement. The Subscriber shall at Completion pay the aggregate issue price for the Subscription Shares of US\$6 million to Netfield and Netfield shall issue and allot the Subscription Shares to the Subscriber or its nominee(s).

THE GAME GROUP AND USE OF PROCEEDS

The Game Group commenced online game business in January 2005 and was acquired by the Group from the CFSG Group on 1 June 2007 at a final consideration of HK\$120 million. Since 2006, the Game Group has been evolving from an online game developer into a fully-fledged provider of online entertainment contents, with strong research and development (R&D) capabilities and a proprietary international distribution network.

During the first half of 2007, the Game Group officially launched its exclusive distribution of CABAL Online in Mainland China and Taiwan, receiving an enthusiastic reception from the market. To maintain the leading position of its popular online games, the Game Group carried out constant content upgrades for well-received games such as King of Pirate (KOP) and Dragon Tiger Gate. New games were confirmed, including an in-house developed MMORPG Zero of the World (天上人間) and a Korean developed casual game Gun Bound (寶貝坦克). These games are in their beta testing phases and are scheduled to be launched in the first quarter of 2008. So far, the games have been met with positive market responses, providing further support for the launch of new games in the market. There are still three games under developing: RUN, Glarsir, DUNK which will be commercially launched from the second quarter of 2008.

In addition to enriching its range of games, the Game Group continued to distribute its popular games in overseas markets. KOP was launched in North America and Russia, generating great excitement. The Game Group had been appointed as an exclusive global distributor for games developed by independent Chinese developers such as GDS Online (時空之淚) and Bobo online (爆爆 Online). The first game is due to be launched in overseas markets in the second half of 2008 and the other game is in the final confirmation status.

The Game Group had taken steps to further reinforce its research and development capabilities through merger and acquisition activities. In 2007, the Game Group has acquired majority stakes in three research and development companies. Through this acquisition, the Game Group had built strength in development talent, research capabilities and also enriches our product pipeline. Furthermore, the Game Group has become the majority stakeholder in a joint venture with a technology team to develop Moli P2P, a P-to-P technology that would enable large number of users to share entertainment content effectively.

The Board believes that these in-house developed games, together with the other licensed games, will generate a scaleable income for the Group in the year to come, and funding is needed to develop and expand the online game business. The Board intends to apply the net proceed of approximately US\$6 million from the Agreement to develop and expand the online game business, including acquiring and developing new equipments and technology, acquiring new games, expanding and strengthening our network of distribution channels.

INFORMATION ON THE GROUP

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) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding.

FINANCIAL INFORMATION OF THE GAME GROUP

The Game Group commenced online game business in January 2005 and commercially launched its online game products and services in late December 2005. The audited consolidated net losses before and after taxation of the Game Group prepared in accordance with the Hong Kong generally acceptable accounting principles for the year ended 31 December 2006 both were about HK\$23.4 million and HK\$23.8 million respectively, and the audited consolidated net losses before and after taxation of the Game Group prepared in accordance with the Hong Kong generally acceptable accounting principles for the year ended 31 December 2005 both were about HK\$27.4 million. The audited consolidated net assets value of the Game Group as at 31 December 2006 was about HK\$50.6 million in deficit and the audited consolidated net assets of the Game Group as at 31 December 2005 was about HK\$27.1 million in deficit.

GENERAL

Under the Listing Rules, the dilution of interest held by the Company in Netfield from existing 100% to 96.6% after the issue of the Subscription Shares is regarded as a deemed disposal by the Company of shareholding interest in Netfield and constitutes a discloseable transaction of the Company. A circular containing the details of the Agreement will be dispatched to the Shareholders as soon as practicable.

Netfield will continue to remain as a subsidiary of the Company following the Completion. The deemed disposal is expected to accrue to the Company a gain of approximately HK\$46.2 million calculated by reference to the net asset value of the Game Group of deficit of approximately HK\$28.2 million in the management accounts of Netfield as at 31 October 2007.

Netfield has also entered into the Framework Agreement with another potential subscriber (an Independent Third Party). Pursuant to the Framework Agreement, Netfield will further issue new Netfield Shares at approximately US\$10 million (equivalent to approximately HK\$78 million) at the same Subscription Price with reference to the aforesaid pre-money valuation of the Game Group of US\$168 million. The formal subscription agreement with this new potential subscriber is scheduled to be signed in February 2008 upon the completion of the legal due diligence on the Game Group. The new Netfield Shares to be issued (subject to the formal subscription agreement) under the Framework Agreement represents about 5.4% of the issued share

capital of Netfield as enlarged by the Subscription Shares and this proposed new issue. There is no relationship between the potential subscriber under the Framework Agreement and the Subscriber. The Company will make a further announcement, if necessary, to update the progress in accordance with the requirement of the Listing Rules.

Trading in the shares of the Company was suspended from 9:40 am on 10 December 2007 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 of the Company with effect from 9:30 am on 11 December 2007.

DEFINITIONS

“Agreement”	the agreement entered into between Netfield and the Subscriber on 7 December 2007 in relation to the proposed issue of the Subscription Shares
“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, whose shares are listed on the Growth Enterprise Market of the Stock Exchange, and is a non-wholly-owned subsidiary of the Company
“CFSG Group”	CFSG and its subsidiaries
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda, whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Agreement
“Conditions”	the conditions of the Agreement as set out in the sub-section headed “Conditions” in this announcement
“Consideration”	the consideration for the Subscription Shares of US\$6 million in total
“Directors”	directors of the Company
“Framework Agreement”	a framework agreement entered into between Netfield and another potential subscriber in relation to proposed subscription of new Netfield Shares at the same Subscription Price, which is not legally binding and is subject to the execution of a formal subscription agreement
“Game Group”	Netfield and its subsidiaries, which the group is engaged in online game business, details of the business is set out in the section headed “The Game Group and use of proceeds”
“Group”	the Company and its subsidiaries

“Independent Third Party(ies)”	To the best of the knowledge, information and belief of the Board having made all reasonable enquiry, such company(ies) and its/their ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities of the Stock Exchange on the Stock Exchange
“Netfield”	Netfield Technology Limited, a wholly-owned subsidiary of the Company, and is the holding company of the Game Group
“Netfield Group”	Netfield and its subsidiaries
“Netfield Share(s)”	share(s) of US\$1.00 each in the share capital of Netfield
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Subscriber”	Proteus Growth Fund Limited who is an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	US\$100 (equivalent to HK\$780) per Subscription Share
“Subscription Shares”	60,000 new Netfield Shares to be subscribed by the Subscriber, which are to be issued upon Completion
“HK\$”	Hong Kong dollar(s)
“US\$”	United States dollars, the currency of the United States

For illustration purposes, amounts in US\$ have been translated into HK\$ at US\$1.00 = HK\$7.8.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 10 December 2007

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