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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

**Major and Connected Transactions
Proposed issue of a convertible note and
proposed acquisition of the properties in Hong Kong and the PRC**

The Board announces that on 11 November 2008, the Convertible Note Agreement was entered into between the Company and the Subscriber pursuant to which, subject to the Conditions, the Company has agreed to issue and the Subscriber has agreed to subscribe the Convertible Note.

The Board also announces that on 11 November 2008, the S&P Agreement was entered into between the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor. Pursuant to the S&P Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase, subject to the Conditions, the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright at the Consideration of approximately HK\$42.8 million (subject to adjustment), which will be fully settled by the issue of the Convertible Note.

Excelbright is an investment holding company, which currently beneficially owns the entire interests of three Properties with a market value of HK\$108.3 million in aggregate in accordance with a valuation report of an independent valuer as at 31 October 2008.

The Convertible Note shall be, at the Completion, issued by the Company at principal value of the Consideration with Conversion Price of HK\$1 per Conversion Share. Upon full conversion of the Convertible Note, a maximum of approximately 42.8 million new Shares (subject to adjustment to the initial Conversion Price), will be issued. The Conversion Shares represent about 23.7% and 19.2% respectively of the Company's existing issued share capital and that enlarged by the issue of the Conversion Shares.

As the applicable percentage ratios exceed 25% but less than 100%, the Acquisition involving the issue of the Convertible Note constitutes a major transaction of the Company under the Listing Rules. Also, as the Vendor is a connected person of the Company (as defined under the Listing Rules), the issue of the Convertible Note Acquisition and the Acquisition also constitute connected transactions of the Company under the Listing Rules. The issue of the Convertible Note and the Acquisition are conditional upon, inter alia, the approval of the Independent Shareholders at the SGM. The Vendor and his Associates will abstain from voting at the SGM and the voting at the SGM must be taken by poll. An independent financial adviser will be appointed to advise the Independent Shareholders for the transactions. A circular containing, among other things, the details of the Convertible Note Agreement and the S&P Agreement including letter from the independent financial adviser and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

The Board announces that on 11 November 2008, the Convertible Note Agreement was entered into between the Company and the Subscriber pursuant to which, subject to the Conditions, the Company has agreed to issue and the Subscriber has agreed to subscribe the Convertible Note.

The Board also announces that on 11 November 2008, the Group had entered into the S&P Agreement and pursuant to the S&P Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase, subject to the Conditions, the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright at the Consideration of approximately HK\$42.8 million (subject to adjustment), which will be fully settled by the issue of the Convertible Note. The details of the Convertible Note and the S&P Agreement are described below.

CONVERTIBLE NOTE

Principal terms

The principal terms of the Convertible Note proposed to be issued are set out below.

Consideration: approximately HK\$42.8 million (subject to adjustment), as full payment for the Consideration upon Completion.

Principal amount: approximately HK\$42.8 million (subject to adjustment). The adjustment mechanism of the principal amount of the Convertible Note as at the date of Completion is the same as the Consideration under the S&P Agreement as set out in the "S&P Agreement" below.

Conversion Price: HK\$1 per Conversion Share (subject to adjustments). The Conversion Price was determined on an arm's length basis between the Company and the Subscriber, being:

- about 14.9% premium over the closing price of HK\$0.870 per Share on 10 November 2008 (the last trading day prior to the date of this announcement);
- about 13.1% premium over the average closing price of about HK\$0.884 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 10 November 2008;
- about 13.3% premium over the average closing price of about HK\$0.883 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 10 November 2008; and
- about 66.2% discount to the latest unaudited net asset value of HK\$2.96 per Share based on the unaudited net asset value of the Company as at 30 June 2008.

The initial Conversion Price may be adjusted upon occurrence of events for (i) share consolidation, (ii) share subdivision, (iii) capitalisation of profits or reserves, (iv) capital distributions in cash or specie, (v) rights issues, (vi) issue of any securities which are convertible or exchangeable into Shares for cash at an effective price which is less than 90% of the market price at the date of announcement of terms of issue of such securities, (vii) the effective price of Shares receivable from the rights of conversion, exchange or subscription of such securities are modified to be less than 90% of the market price at the date of announcement of the proposed modification, (viii) issue of Shares at a price which is less than 90% of the market price at the date of the announcement of the terms of such issue, (ix) issue Shares for the acquisition of assets at an effective price which is less than 90% of the market price at the date of the announcement of the terms of such issue, and will in any event not be adjusted below the par value of a Share. The adjustment, when it takes place, will in appropriate circumstances be reviewed by approved merchant bank or financial adviser or auditor of the Company, and will be disclosed in the relevant announcement or annual report (as consider appropriate) of the Company.

The Conversion Price was determined with reference to the recent market closing prices of the Shares. The Board is of the opinion that the Conversion Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Interest rate: 2% per annum on the outstanding principal amount of the Convertible Note, payable on a quarterly basis.

Conversion right and restrictions: At the discretion of any of the Company or the Subscriber by serving on the other party the conversion notice (which shall be in conversion amount of integral multiple of HK\$1 million) for conversion of the Convertible Note into Conversion Shares issued in the name of the Subscriber, provided that:-

- (i) the Company shall not exercise its right of conversion if the then trading price as quoted on the Stock Exchange is lower than the Conversion Price; and
- (ii) the Subscriber or the Company shall not exercise the right of conversion if immediately following such exercise there will be insufficient public float for the Shares (as required by the Listing Rules).

In the event that immediately after the exercise of any Conversion Rights, an obligation to make a general offer in respect of the Shares of the Company under the Takeovers Code is triggered, the Vendor agrees and undertakes to the Company that he will forthwith comply with all the relevant provisions under the Takeovers Code.

Conversion period: Any time after the expiry of 6 months from the issue date of Convertible Note and ending on the maturity date (as described below).

Maturity date: 31 December 2011, or any other date mutually agreed between the Company and the Subscriber, on which all outstanding principal amount of the Convertible Note shall be fully repaid.

Redemption right: At the discretion of the Company only at any time after the Issue Date up to the maturity date, in full or in part, by giving the Subscriber redemption request not less than 3 Business Days' notice at the following redemption amount:-

- (i) if the redemption request is made within the period from the Issue Date up to 31 December 2009, the Company may redeem the Convertible Note at a redemption premium of 110% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption;
- (ii) if the redemption request is made within the period from 1 January 2010 up to 31 December 2010, the Company may redeem the Convertible Note at a redemption premium of 121% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption; and
- (iii) if the redemption request is made within the period from 1 January 2011 up to 31 December 2011, the Company may redeem the Convertible Note at a redemption premium of 133% of the principal amount of the Convertible Note outstanding less all the coupon interest paid to the Subscriber up to the date of redemption.

Transferability: the Convertible Note will be transferable with the consent of the Company (save for the 100%-owned companies of the Subscriber which shall not require the consent of the Company).

Conversion Shares to be issued upon conversion

The Conversion Shares to be issued upon conversion of the Convertible Note will rank pari passu in all respects with the Shares then in issue at the relevant dates of conversion. There is no pre-emptive rights for the Conversion Shares nor there is other restriction which applies to the subsequent sale of such Conversion Shares under the terms of the Convertible Note.

Assuming that the Convertible Note is converted at the initial Conversion Price, a total of approximately 42.8 million Conversion Shares, representing approximately 23.7% of the existing issued share capital of the Company, and approximately 19.2% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares, will be issued by the Company. The Conversion Shares will be issued under specific mandate to be sought at the SGM.

Voting rights of the holder of the Convertible Note

The holder of the Convertible Note will not have any right to vote at the general meetings of the Company by virtue of its being the holder of the Convertible Note.

Listing of the Convertible Note

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchange. However, the Company will apply for the listing on the Stock Exchange of the Conversion Shares issuable upon the conversion of the Convertible Note.

S&P AGREEMENT

Vendor: Mr Kwan Pak Hoo Bankee (Chairman and controlling Shareholder of the Company), and is a connected person of the Company (as defined under the Listing Rules).

Purchaser: Excel Smart Profits Limited, a wholly-owned subsidiary of the Company.

Acquisition: The Vendor shall sell and the Purchaser shall purchase, subject to the Conditions, the Sale Share (being the entire equity shareholding interest) and the Sale Debt (being the shareholder's loan interest) in Excelbright) at the Consideration.

Excelbright is an investment holding company, which currently beneficially owns the entire interests of the Properties with a market value of approximately HK\$108.3 million in aggregate in accordance with a valuation report of an independent valuer as at 31 October 2008. The valuation methodology adopted by independent valuer for valuation of the Properties is direct comparison approach.

Consideration: Being approximately HK\$42.8 million (subject to adjustment as described below), which is equivalent to the aggregate of (i) the net asset value of the Sale Share which amounted to approximately HK\$7.0 million as at 31 October 2008 as per the unaudited management accounts of Excelbright as at 31 October 2008 as prepared in accordance with the HKFRS; and (ii) the Sale Debt which amounted to approximately HK\$35.8 million as at 31 October 2008. The Consideration will be settled in full by issue of Convertible Note at Completion.

The Consideration is subject to adjustment in accordance with the actual amount of the net asset value of the Sale Share and the actual amount of the Sale Debt as at the date of Completion in accordance with the management accounts of Excelbright made up to the date of Completion. The management accounts of Excelbright will be prepared in accordance with the HKFRS and as agreed by both the Purchaser and the Vendor.

In the event that the actual amounts of the Sale Shares and the Sale Debt, in aggregate, are less than HK\$42.8 million as at the date of Completion, the Consideration will be adjusted down by an amount representing the shortfall on a dollar to dollar basis, and the final Consideration will be round to the nearest thousand figures. In the event that the actual amounts of the Sale Shares and the Sale Debt, in aggregate, are more than HK\$42.8 million as at the date of Completion, the Consideration will be adjusted up by an amount representing the surplus on a dollar to dollar basis, and the final Consideration will be round to the nearest thousand figures. However, the adjustment amount, notwithstanding up or down, shall not be more than HK\$1,000,000.

As the Consideration is agreed between the Vendor and the Purchaser on an arm's length basis with reference to the latest net asset value of Excelbright, which was determined in accordance with the HKFRS after taking into accounts the market values of the Properties by an independent valuer, the Board considers that the Consideration is fair and reasonable.

Conditions: The Completion is conditional upon, among other things,:-

- (a) the approval of the Convertible Note Agreement, the S&P Agreement and the transactions as contemplated thereunder by the Independent Shareholders at the SGM;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and
- (c) if applicable, the granting of all consents from banks, other financial institutions or third parties, which are necessary in connection with the execution and performance of the Convertible Note Agreement and the S&P Agreement and any of the transactions contemplated thereunder.

The Convertible Note Agreement and the S&P Agreement are inter-conditional. The Conditions are required to be fulfilled on or before the Fulfilment Date, or such later date as may be agreed between the Vendor and the Purchaser. If the Conditions are not fulfilled by such date, the Convertible Note Agreement and the S&P Agreement will terminate without any clause of damages against each other of the parties to the Convertible Note Agreement and the S&P Agreement.

Completion: The completion of the Convertible Note Agreement and the S&P Agreement shall take place within 7 business days (or any extended period as agreed between the parties) after the Convertible Note Agreement and the S&P Agreement becoming unconditional.

SHAREHOLDING STRUCTURE

Currently, the Company does not have any existing convertible note in issue. The shareholding structures of the Company currently and after the full conversion of the Convertible Note are as follows:

<u>Shareholders</u>	<u>Existing</u>		<u>Upon full conversion of the Convertible Note</u>	
	Number of Shares	%	Number of Shares	%
Cash Guardian Limited (Note)	66,398,512	36.78	66,398,512	29.73
Vendor	0	0	42,800,000	19.17
Sub-total for the Vendor and his parties acting in concert	66,398,512	36.78	109,198,512	48.90
Other Directors of the Company				
- Mr Lin Che Chu George	5,230,000	2.90	5,230,000	2.34
- Mr Law Ping Wah Bernard	6,784,060	3.76	6,784,060	3.04
	12,014,060	6.66	12,014,060	5.38
Public holding	102,092,576	56.56	102,092,576	45.72
Total	180,505,148	100.00	223,305,148	100.00

Note: Cash Guardian Limited, a company controlled by the Vendor, is also the Associate of the Vendor.

BUSINESS AND FINANCIAL INFORMATION OF EXCELBRIGHT

Excelbright is an investment holding company, which was incorporated in the British Virgin Islands with limited liability on 3 July 2008, and its entire issued share capital is beneficially 100%-owned by the Vendor.

The sole assets of Excelbright are its 100% shareholding interest in Go Lucky Investments Limited and Honest Joy Properties Limited. The Properties Group currently beneficially owns the entire interests of the Properties which are located at (i) House No.A8 (including its 2 car parking spaces), Regalia Bay, No.88 Wong Ma Kok Road, Stanley, Hong Kong, (ii) Flat B, 3/F and Car Parking Spaces No.25 on G/F Rose Gardens, No.9 Magazine Gap Road, Peak, Hong Kong, and (iii)中國上海市長寧區古北新區黃金城道688弄《御翠豪庭》18號18層2102室 (translated as Room 2102 on Level 18, Maison des artiste, No.18 Lane 688, Huang Jin Cheng Road, Changning District, Shanghai, the PRC). The Properties are held for investment purpose and/or are leased out for rental incomes. The market value of the Properties was estimated at HK\$108.3 million in aggregate in accordance with a valuation report of an independent valuer as at 31 October 2008. The original purchase cost of the Properties of the Properties Group was approximately HK\$99.0 million.

Excelbright is a newly incorporated company in July 2008. The consolidated unaudited net profits (both before and after taxation and extraordinary items) of the Properties Group for the preceding two years ended 31 December 2006 and 31 December 2007 were approximately HK\$2.2 million and HK\$2.8 million respectively. The consolidated unaudited net asset value of the Properties Group as at 31 October 2008 as per its unaudited management accounts, which was prepared in accordance with the HKFRS, was approximately HK\$7.0 million.

REASON FOR THE ISSUE OF THE CONVERTIBLE NOTE AND THE ACQUISITION

The Group is also engaged in investment holding and it has been the strategy of the Group to diversify its income stream. The proposed issue of the Convertible Note provides an opportunity to the Group to raise fund for the acquisition of the Properties. The Company intends to hold the Properties as investment properties and/or lease out the Properties for rental income. The Directors consider that the Acquisition allows the Group to enlarge its properties portfolio with high quality assets and provides a steady income stream for the Group. Upon Completion, Excelbright will become a wholly-owned subsidiary of the Company and its results will be consolidated into the accounts of the Company.

The Directors are of the view that the terms of the Convertible Note and the Acquisition are on normal commercial terms, and are fair and reasonable, and the issue of the Convertible Note and the Acquisition are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The current principal activities of the Group consist of (a) financial services provided via CASH Financial Services Group Limited (stock code: 510) (a non-wholly-owned subsidiary of the Company) 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; (b) retailing of furniture and household goods; (c) provision of online game services, sales of online game auxiliary products and licensing services; and (d) investment holding.

FUND RAISING OF THE COMPANY FOR THE PAST 12 MONTHS

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

GENERAL

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

As the applicable percentage ratios exceed 25% but less than 100%, the Acquisition involving the issue of the Convertible Note constitutes a major transaction of the Company under the Listing Rules. Also, as the Vendor is a connected person of the Company (as defined under the Listing Rules), the issue of the Convertible Note and the Acquisition also constitute connected transactions of the Company under the Listing Rules. The issue of the Convertible Note and the Acquisition are conditional upon, inter alia, the approval of the Independent Shareholders at the SGM. The Vendor and his Associates will abstain from voting at the SGM and the voting at the SGM must be taken by poll. An independent financial adviser will be appointed to advise the Independent Shareholders for the transactions. A circular containing, among other things, the details of the Convertible Note Agreement and the S&P Agreement including letter from the independent financial adviser and the notice of the SGM will be despatched to the Shareholders as soon as practicable. At the SGM, resolutions will be proposed to consider and, if thought fit, to approve the Convertible Note Agreement, the S&P Agreement and the transactions as contemplated thereunder.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Share and the Sale Debt under the S&P Agreement
“Associates”	has the same meaning ascribed in the Listing Rules
“Board”	the board of directors of the Company
“Cash Guardian” or “Subscriber”	Cash Guardian Limited, a company incorporated in the British Virgin Islands with limited liability, with principal business activity of investment holding. It is the controlling Shareholder, and is a company controlled by the Vendor and an Associate of the Vendor
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose securities are listed on the main board of the Stock Exchange
“Completion”	completion of the Convertible Note Agreement and the S&P Agreement, as particularly described in the sub-section of “Completion” under the section of “S&P Agreement” in this announcement
“Conditions”	the conditions of the Convertible Note Agreement and the S&P Agreement as set out in the sub-section of “Conditions” under the section of “S&P Agreement” in this announcement

“Consideration”	approximately HK\$42.8 million, subject to adjustment as particularly described in the sub-section of “Consideration” under the section of “S&P Agreement” in this announcement
“Conversion Price”	HK\$1 (subject to adjustment) per Conversion Share
“Conversion Share(s)”	the new Shares issuable upon the conversion of any part of the Convertible Note
“Convertible Note”	the proposed convertible note of approximately HK\$42.8 million (subject to adjustment) to be issued at the Completion
“Convertible Note Agreement”	the conditional subscription agreement entered into between the Company and Subscriber on 11 November 2008 in relation to the proposed subscription of the Convertible Note, subject to the Conditions
“Director(s)”	director(s) of the Company
“Excelbright”	Excelbright Enterprises Limited, a company incorporated with limited liability in the British Virgin Islands, is beneficially 100%-owned by the Vendor. More information on Excelbright is set out in the section of “Business and Financial Information of Excelbright”
“Fulfilment Date”	31 March 2009, the date (if not otherwise deferred) by which the Conditions shall be fulfilled
“Group”	the Company and its subsidiaries
“HKFRS”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	holder(s) of the Share(s) other than the controlling Shareholders, being the Vendor and his Associates
“Issue Date”	the date of issue of the Convertible Note
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong
“Properties”	the three properties located in Hong Kong and the PRC, which are currently beneficially owned by Excelbright, as more particularly described in the section of “Business and Financial Information of Excelbright”

“Properties Group”	Excelbright and its wholly-owned subsidiaries, being Go Lucky Investments Limited and Honest Joy Properties Limited
“Purchaser”	Excel Smart Profits Limited, a company incorporated with limited liability in the British Virgin Islands, and is a wholly-owned subsidiary of the Company
“Sale Debt”	the interest-free shareholder’s loan advanced by the Vendor to Excelbright, which amounted to approximately HK\$35.8 million as at 31 October 2008, as at the date of Completion
“Sale Share”	1 share of US\$1.00 each (being the entire issued share) in Excelbright
“SGM”	the special general meeting of the Company to be held to approve the Convertible Note Agreement and the S&P Agreement and the transactions as contemplated thereunder
“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
“S&P Agreement”	a share purchase agreement entered into between the Purchaser and the Vendor on 11 November 2008 in relation to the proposed Acquisition, subject to the Conditions
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor” or “Mr Kwan”	Mr Kwan Pak Hoo Bankee, the Chairman and an executive Director of the Company, and is a controlling Shareholder. He beneficially owns the entire interest of Excelbright. He is a connected person of the Company as defined under the Listing Rules
“HK\$”	Hong Kong dollar(s), the currency of Hong Kong

By Order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 11 November 2008

As at the date hereof, the Directors of the Company are:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Lin Che Chu George
Mr Law Ping Wah Bernard

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin