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Celestial Asia Securities Holdings Limited

(incorporated in Bermuda with limited liability)

(Stock code: 1049)

**MEMORANDUM OF UNDERSTANDING
IN RESPECT OF
PROPOSED ACQUISITION**

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board is pleased to announce that, on 18 September 2010, Moli Group (a wholly-owned subsidiary of the Company) has entered into the MOU with the Vendors (being Independent Third Parties) in respect of the Proposed Acquisition for 51% equity interest in a company, which is engaged in mobile digital entertainment business in the PRC, at the Consideration of RMB81,600,000 (equivalent to approximately HK\$94,044,000). The Consideration will be settled as to 50% in cash and 50% by issue of the Consideration Shares.

The MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition, which is subject to the negotiation and execution of the Formal Agreement by the parties.

Based on information currently available to the Company and calculations by the Company in accordance with the requirements of the Listing Rules, the Proposed Acquisition, if materializes, may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

As the Proposed Acquisition may or may not materialize, Shareholders and public investors are advised to exercise caution when dealing in the Shares.

MOU

Date: 18 September 2010

Parties

Purchaser: Moli Group Limited, a wholly-owned subsidiary of the Company.

Vendors: Wang Aizhi (王愛芝)、He Siyun (何思雲)、Guo Zhen (郭振)、Yan Zi (燕子).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors are Independent Third Parties.

Subject matter: 51% equity interest in Injoy.

Consideration: RMB81,600,000 (equivalent to approximately HK\$94,044,000, being determined based on the estimated consolidated net profit, after tax, of Injoy for the year ending 31 December 2010 of not less than RMB20,000,000 (equivalent to approximately HK\$23,050,000), times the equity interests of 51%, and multiplied by a price-to-earnings ratio of 8 times.

The Consideration shall be satisfied as to 50%, being RMB40,800,000 (equivalent to approximately HK\$47,022,000), by cash and as to 50%, being RMB40,800,000 (equivalent to approximately HK\$47,022,000), by allotment and issue of the Consideration Shares, credited as fully paid, at an issue price to be determined in accordance with the average of the closing prices of Shares for the five consecutive trading days preceding the date of signing of the Formal Agreement.

Payment terms: The Consideration of RMB81,600,000 (equivalent to approximately HK\$94,044,000) shall be paid in the following manners:

- (i) 30% of the Consideration in cash, being RMB24,480,000 (equivalent to approximately HK\$28,213,200), will be paid by the Group and deposited into the designated escrow account of the Vendors as deposit upon signing of the Formal Agreement. The deposit will be released to the Vendors on Completion;

- (ii) 20% of the Consideration in cash, being RMB16,320,000 (equivalent to approximately HK\$18,808,800), will be paid by the Group to the Vendors within 3 Business Days from date of Completion; and
- (iii) 50% of the Consideration, being RMB40,800,000 (equivalent to approximately HK\$47,022,000), payable by issue and allotment of the Consideration Shares will be issued to the Vendors within 3 Business Days from date of Completion.

Conditions precedent:

The Completion is conditional upon, including, but not limited to:-

- (i) the satisfaction to the results of the due diligence review on Injoy by the Group;
- (ii) the Listing Committee of the Stock Exchange to grant the listing of, and permission to deal in, the Consideration Shares; and
- (iii) all necessary consents and approvals required to be obtained in respect of the Proposed Acquisition.

Other material terms:

- (a) Profit guarantee

Subject to the terms and conditions of the Formal Agreement to be executed by the parties, the Vendors jointly and severally guarantee that the consolidated net profit after tax of Injoy for the financial year ending 31 December 2010 and 31 December 2011 shall not be less than RMB20,000,000 (equivalent to approximately HK\$23,050,000) and RMB26,000,000 (equivalent to approximately HK\$29,965,000) respectively.

- (b) Due diligence review and the Completion

The parties will try their best endeavour to:-

- (i) arrange to conduct a due diligence review on Injoy and to sign the Formal Agreement within 14 Business Days from the date of the MOU; and
- (ii) to arrange for the Completion within 30 Business Days from the date of the Formal Agreement.

(c) Undertakings

The parties have undertaken that for a period of 18 months from the date of the Completion,:-

- (i) the Group will not dispose of the equity interest of Injoy; and
- (ii) the Vendors will not dispose of the Consideration Shares.

(d) Non-legally binding

The MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition, which is subject to the negotiation and execution of the Formal Agreement by the parties.

The MOU will lapse automatically if the Formal Agreement not having been executed upon expiry of 14 days from the date of the MOU or any other date to be agreed between the parties.

INFORMATION ABOUT INJOY

Based on the information provided by the Vendors to date, Injoy is principally engaged in mobile digital entertainment business in the PRC. Injoy is a leading provider in mobile handset (including smart phone) content in the PRC. It is dedicated to developing various applications, especially entertainment contents, for mobile users in the 3G era.

BENEFITS OF THE PROPOSED ACQUISITION

One of the principal businesses of the Group is online game business. Moli Group has established a solid foundation in terms of technological knowledge, operating platform and business experience in connection with online game business. The Group is well positioned to capture the business opportunities in mobile entertainment business given the forthcoming convergence of the online and mobile entertainment sectors. The integrated online and mobile entertainment sector will provide vast business opportunities with significant growth in market demand. Also, in view of the tremendous growth in mobile entertainment market in recent years, the Board believes that the acquisition will make significant contribution of both revenue and profit to the Group in coming years.

In order to seek more business opportunities, diversification of our income portfolio and maximization of return to the Company and the Shareholders in the long run, the Company has decided to enter into the MOU. The Board considers that the terms of the MOU are fair and reasonable and the entering into of the MOU is in the interests of the Company and the Shareholders as a whole.

GENERAL

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The MOU does not constitute the parties' legally binding commitments as to the Proposed Acquisition, which is subject to the negotiation and execution of the Formal Agreement by the parties.

Based on information currently available to the Company and calculations by the Company in accordance with the requirements of the Listing Rules, the Proposed Acquisition, if materializes, may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement in respect of the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

As the Proposed Acquisition may or may not materialize, Shareholders and public investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“associates”	have the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally opened for normal banking business
“Company”	Celestial Asia Securities Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and whose Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the transfer of 51% equity interest in Injoy from the Vendors to the Group
“Consideration”	the aggregate consideration in the amount of RMB81,600,000 (equivalent to approximately HK\$94,044,000) payable by the Company to the Vendors for the Proposed Acquisition
“Consideration Shares”	new Shares to be allotted and issued by the Company to the Vendors at an issue price to be determined in accordance with the average of the closing prices of Shares for the five consecutive trading days preceding the date of signing of the Formal Agreement as part of the consideration for the Proposed Acquisition

“Director(s)”	director(s) of the Company
“Formal Agreement”	a formal sale and purchase agreement in relation to the Proposed Acquisition, which may be entered into between Moli Group and the Vendors in the event that the Proposed Acquisition materializes
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	parties which are independent and not connected with any of the directors, chief executives, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates as defined in the Listing Rules
“Injoy”	Injoy Information Technology Co., Limited, a company incorporated in the British Virgin Islands with limited liability. It is engaged in mobile digital entertainment business in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Moli Group”	Moli Group Limited, a company incorporated in the British Virgin Islands with limited liability, and is the holding company of the Group’s online game business. It is a wholly-owned subsidiary of the Company
“MOU”	the memorandum of understanding dated 18 September 2010 and entered into between Moli Group and the Vendors in relation to the Proposed Acquisition
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition by Moli Group from the Vendors of 51% of the entire equity interest in Injoy under the MOU
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendors” together, Wang Aizhi (王愛芝)、He Siyun (何思雲)、Guo Zhen (郭振)、Yan Zi (燕子), being the vendors under the MOU

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

Unless otherwise specified in this announcement, amounts denominated in RMB have been translated, for illustration only, into HK\$ at exchange rate of RMB1.00=HK\$1.1525.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 18 September 2010

As at the date hereof, the board of directors of the Company comprises:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Kung Chit Raymond

Independent non-executive directors:

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