



CASH on-line Limited

2001 Interim Results

1 January to 30 June

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This document, for which the directors of CASH on-line Limited ("Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this document is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this document misleading; and (iii) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- Revenue increased by 36% to approximately HK\$11 million in 2nd quarter as compared to 1st quarter this year but dropped by 30% as compared to last six corresponding months ended 30 June 2000 due to the overall inferior market sentiment in 2001
- As compared with last corresponding periods, net losses reduced by 84% to HK\$12 million and 62% to HK\$30 million respectively for three months period and six months period ended 30 June 2001 respectively. Results improved mainly attributable to effective cost control measures taken up in early beginning of this year
- Liquidity position remains strong with working capital of HK\$155 million as at end of June 2001
- Number of ultimate online customers increased by 26% by end of this period as compared with the beginning of the period

RESULTS

The unaudited consolidated results of the Company and its subsidiaries ("Group") for the three months and six months ended 30 June 2001 together with the comparative figures for the last corresponding periods are as follows:

	Notes	Unaudited three months ended 30 June 2001		Unaudited six months ended 30 June 2000	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	11,201	22,010	19,461	27,907
Cost of sales		(3,880)	(7,268)	(6,818)	(9,680)
Gross profit		7,321	14,742	12,643	18,227
Other revenue		3,961	8,807	7,175	9,455
Provision for impairment loss of investment securities		–	(15,600)	–	(15,600)
Write off of deposit for development of foreign exchange internet platform		–	(1,950)	–	(1,950)
Administrative expenses		(23,173)	(79,768)	(49,487)	(87,926)
Loss from operations		(11,891)	(73,769)	(29,669)	(77,794)
Finance costs		–	(26)	–	(26)
Loss before taxation		(11,891)	(73,795)	(29,669)	(77,820)
Taxation	3	–	–	–	–
Net loss attributable to shareholders		<u>(11,891)</u>	<u>(73,795)</u>	<u>(29,669)</u>	<u>(77,820)</u>
Loss per share	4	<u>0.6 cent</u>	<u>3.8 cents</u>	<u>1.5 cents</u>	<u>4.0 cents</u>

Notes:

1. Group reorganization and the basis of preparation

The Company was incorporated in Bermuda on 9 August 2000. Its ultimate holding company is Celestial Asia Securities Holdings Limited ("CASH", which together with its subsidiaries other than members of the Group are hereinafter referred to as "CASH Group"). Pursuant to a group reorganization ("Group Reorganization") to rationalize the structure of the Group in the preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the holding company of the Group in August 2000. Details of the Group Reorganization are set out in the section headed "Corporate Reorganization" in appendix V of the prospectus issued by the Company dated 13 December 2000 ("Prospectus"). The shares in the Company have been listed on GEM since 15 December 2000.

The Company resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, these financial statements have been prepared on the merger accounting basis in accordance with the Statement of Standard Accounting Practice No. 27 "Accounting for Group Restructuring" issued by the Hong Kong Society of Accountants.

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

2. Turnover

Turnover represents service income from the provision of electronic trading platforms for trading financial products and advertising income during the periods.

3. Taxation

No provision for Hong Kong profits tax has been made as the Group incurred tax loss for each of the above periods.

No deferred tax asset has been recognized in the financial statements in respect of the tax losses available to offset future profit as it is uncertain that the tax losses will be utilized to offset future profit in the foreseeable future.

4. Loss per share

The calculation of the basic loss per share for the six months period ended 30 June 2001 is based on the loss for the period of HK\$29,669,000 (2000: HK\$77,820,000) and on the weighted average number of 2,015,200,000 (2000: 1,941,496,703) shares that would have been in issue throughout the period on the assumption that the Group Reorganization had been completed as at 1 January 2000.

No diluted loss per share is presented as there was no diluting event in existence for the six months ended 30 June 2000 and the diluting effect for the six months ended 30 June 2001 would be anti-dilutive.

DIVIDEND

The board of directors ("Board") does not recommend payment of any interim dividend for the six months ended 30 June 2001 (2000: Nil).

OPERATIONS REVIEW

The first half of 2001 saw increasingly difficult operating environment for the brokerage industry as a whole. As the slow down of the global economy took root, the Group faced further challenges from a marked increase in competition in the form of new on-line brokerages and increasing emphasis by banks to offer securities brokerage service in preparation for the interest rate deregulation this year.

Despite intensifying competition from formidable competitors who resorted to compete via brokerage commission discounts and cash giveaways, the Group enjoyed steady growth in its client base by 26% increase by end of the period as compared with the beginning of the period as well as maintaining a healthy active

account ratio of close to 50%. Nonetheless, the unfavourable market environment resulted in a decrease in turnover from HK\$27.9 million to HK\$19.5 million during the first half of the year.

During the period, the directors refrained from resorting to relying on cost of sales items such as commission discounts or rebates, incentive schemes and overly aggressive loyalty programmes to attract new clients and to retain existing ones. As a result, despite the decrease in turnover, the Group continued to enjoy a gross profit margin of 65% at HK\$12.6 million. Instead the Group continued to compete via its guiding principle of continuous product developments and enhancements in order to deliver the most efficient and innovative electronic trading services possible.

The Group further benefited from the investment in brand building during the year 2000. This resulted in a significant reduction from over HK\$75 million to just over HK\$8 million over the same period in advertising and promotion expenditure while continuing to enjoy a high level of consumer awareness and preference based on on-going research by the Group. The one-off provision made in the Group's investment in Redchip.com and the foreign exchange platform last year, together with the significant reduction in advertising and promotion resulted in decline in net loss by 62% from HK\$77.8 million to HK\$29.7 million.

Products and Services

The Group continued to fulfill its mission to deliver the most diverse and innovative range of financial services via electronic means in Hong Kong.

Electronic Trading

The Group focus mainly on extending its existing products during the first quarter of 2001. By further developing the real time credit management modules developed for the ground breaking margin trading services that was launched in 2000, the Group successfully developed and launched the first real time, fully automated T+2 settlement service in Hong Kong in February 2001.

Leveraging on the experience in mobile commerce gained from developing the SmarTrade securities and commodities platform with SmarTone, the Group successfully launched its straight through WAP trading platform with two of the largest mobile telecommunications operators, PCCW Mobility Services and Hutchison OrangeWorld. The Group also further extended its leadership position in the area of securities trading via PDAs with the launch of a new commodities trading service. Together with the successful synchronization between our mobile

and internet trading platforms, the Group made significant steps towards its vision of delivering world-class electronic trading services that can be accessed via a broad range of electronic devices, and supported by all the major mobile operators.

The Group also launched e-Fund, a new unit trust trading service as part of the ongoing programme to deliver a broader range of financial products and tools for the retail investors. Clients can choose from over 150 funds approved by the Securities and Futures Commission (“SFC”) issued by nine fund houses. The number of funds offered is expected to increase to over 500 in the near future.

In June 2001, the Group took its first phase in offering to its customer a global securities trading hub with the launch of US and B share stock trading platform. The Group will continue to expand the global trading hub service by increasing other markets coverages.

New Product Category

With the launch of the e-Surance service on www.e-finance.com.hk, the Group successfully launched the first stage of its partnership with US insurance powerhouse and the largest insurance group in Asia-Aon Insurance Group (“Aon”). e-Surance is the first on-line insurance brokerage service in Hong Kong that is backed by an established world-class industry player whose experts pre-screen plans and offer advice to customers. Leveraging on the Group’s experience in building efficient financial transaction platforms, consumers can conveniently purchase professionally selected value-for-money plans that are supported with a flexible yet secure “clicks-and-mortar” payment system. Further categories, such as medical insurance, will be introduced in the next phase of development.

New Revenue Stream

The first half of 2001 saw the successful launch of the Group’s Hong Kong securities execution service for ICBC (Asia) and SinoPac Securities of Taiwan. This marked the first step in the realization in our mission to develop a B2B revenue stream through our efficient and robust transaction platforms. The Company is in active dialogues with other financial institutions to further extend the “white label” transaction support services.

Proposed Acquisition of Financial Service Business from CASH Group

On 28 June 2001, the Group conditionally agreed to acquire the financial service business from CASH Group for a consideration of HK\$438 million through the issuance of a convertible note. Should the proposed acquisition receive

shareholders' approval, the Group will have acquired the entire off-line securities brokerage related business of CASH Group as well as 9 trading rights in the Stock Exchange with the Stock Exchange participation, 2 trading rights in the Hong Kong Futures Exchange Limited ("Futures Exchange") with the Futures Exchange participation as well as licenses to act as investment advisor, securities dealers, commodities dealers and securities margin financier.

PROGRESS WHEN COMPARED AGAINST BUSINESS OBJECTIVES

In compliance with the rules of the GEM, the following sets out a summary of the actual business progress as measured against the statement of business objectives set out in the Prospectus for the period from 1 January 2001 to 30 June 2001 ("Review Period").

Business objectives for the Review Period as disclosed in the Prospectus

Business development

- Provide direct online brokerage services as a registered dealer

Actual business progress for the Review Period

Instead of migration of online brokerage customers from CASH Group to the Group as described in the Prospectus, in late June 2001, the Group announced that it would acquire the financial services business from CASH Group which acquired assets would include the required trading rights in the respective exchanges and all necessary licences with the SFC. Completion of the acquisition is conditional upon several conditions including approval of shareholders of the Company in general meeting and is expected to take place in around September 2001. Accordingly, upon completion thereof, the acquisition of the trading rights in the Stock Exchange and the Futures Exchange by the Group from CASH Group contemplated under the agreements dated 8 June 2000 as described in the Prospectus will be cancelled

- Launch T+2 settlement services
T+2 settlement services for online securities brokerage was implemented on 16 February 2001
- Form strategic alliances to broaden the content coverage
Inclusion of contents from *www.Newone.com.cn* operated by China Communications Securities and *www.AAStocks.com* as content partners to support the content requirement for the Groups' B-Share and US securities trading services
- Launch new online investment product
Trading in unit trust via the e-Fund trading platform of the Group began since 7 May 2001 and sales of online insurance products on *www.e-finance.com.hk* since 9 April 2001
- Extend securities trading services to the trading of international stocks
Cross-border stock trading was launched on 28 June 2001 to trade in B shares of China and stocks listed in US
- Development and sales of contents
Launched the Lifestyle channel on *www.e-finance.com.hk* including *www.auto-one.com.hk*. Began delivery of financial contents to *www.MSN.com.hk* finance channel

Sales and marketing

- Focus more on electronic channels to perform its sales and marketing envisaging the wide usage of internet
Distribution of financial content to significant internet portals such as *www.MSN.com.hk* to gain exposure and access to the largest possible subscriber bases in Hong Kong
- Introduce CASH Point loyalty program to registered members of *www.e-finance.com.hk*
CASH Point loyalty program was introduced to registered members of *www.e-finance.com.hk* on 9 April 2001

Technology enhancement

- Research and evaluate the latest version of XML, GPRS and Bluetooth technologies and other market available technologies for mobile and internet trading and transaction applications
- Continuous research and development as witnessed by the launch of the WAP trading platforms with PCCW Mobility and OrangeWorld

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2001, the interests of the directors and chief executive of the Company in the equity or debt securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

A. The Company

Interest in ordinary shares

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	–	–	1,086,619,945	53.92
Khoo Ken Wee**	3,000,000	1,057,152,090	–	52.61
Law Ka Kin Eugene	250,000	–	–	0.01
Law Ping Wah Bernard	5,424,982	–	–	0.27

- * The shares are held as to 1,009,264,783 shares by Celestial Investment Group Limited ("CIGL") (a wholly-owned subsidiary of CASH), as to 47,887,307 shares by Cash Guardian Limited ("Cash Guardian") and as to 29,467,855 shares by Suffolk Resources Limited ("Suffold"). Mr Kwan is deemed to be interested in all these shares as a result of his interests in CASH, Cash Guardian and Suffolk as disclosed in the "Substantial Shareholders" below.

** The shares are held as to 3,000,000 shares personally, as to 1,009,264,783 shares by CIGL and as to 47,887,307 shares by Cash Guardian. Mr Khoo is deemed to be interested in all these shares as a result of his interests in CASH and Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 1,009,264,783 shares held by CIGL and 47,887,307 shares held by Cash Guardian.

B. Associated corporations (within the meaning of SDI Ordinance)

(a) Interests in CASH

Ordinary shares

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	-	-	3,374,579,709	52.61
Khoo Ken Wee**	30,000,000	2,692,019,826	-	42.44
Law Ka Kin Eugene	2,500,000	-	-	0.04
Law Ping Wah Bernard	54,249,828	-	-	0.85

* The shares are held as to 2,692,019,826 shares by Cash Guardian and as to 682,559,883 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

** The shares are held as to 30,000,000 shares personally and as to 2,692,019,826 shares by Cash Guardian. Mr Khoo is deemed to be interested in the shares held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 2,692,019,826 shares held by Cash Guardian.

Warrants carrying rights to subscribe for shares in CASH at a subscription price of HK\$0.65 each (subject to adjustment) during the period from 20 July 2000 to 31 July 2002 (both days inclusive)

Name	Amount of warrants of CASH beneficially held		
	Personal (HK\$)	Corporate (HK\$)	Other Interest (HK\$)
Kwan Pak Hoo Bankee*	–	–	159,976,285.30
Khoo Ken Wee**	1,950,000.00	144,876,749.55	–
Law Ka Kin Eugene	162,500.00	–	–
Law Ping Wah Bernard	3,526,238.30	–	–

* The amount of warrants are held as to HK\$144,876,749.55 by Cash Guardian and as to HK\$15,099,535.75 by Suffold. Mr Kwan is deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

** The amount of warrants are held as to HK\$1,950,000.00 personally and as to HK\$144,876,749.55 by Cash Guardian. Mr Khoo is deemed to be interested in the warrants held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

For avoidance of doubt, the above interest held by Mr Kwan and Mr Khoo have taken into account the HK\$144,876,749.55 amount of warrants held by Cash Guardian.

(b) Interests in Pricerite Group Limited ("Pricerite")

Ordinary shares

Name	Number of shares beneficially held			
	Personal	Corporate	Other Interest	Shareholding (%)
Kwan Pak Hoo Bankee*	–	–	458,144,099	72.81
Khoo Ken Wee*	–	458,144,099	–	72.81

- * This refers to the same number of 435,132,000 shares held by CIGL (a wholly-owned subsidiary of CASH) and 23,012,099 shares held by CASH. Both Mr Kwan and Mr Khoo are deemed to be interested in these shares as a result of their interests in CASH as disclosed in the "Substantial shareholders" below.

Save as disclosed above, as at 30 June 2001, none of the directors and chief executive of the Company had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the share option scheme of the Company adopted on 20 November 2000, certain directors of the Company were granted share options to subscribe for shares in the Company at a consideration of HK\$1.00 each, details as follows:-

Name	Date of share options accepted	Number of share options granted and outstanding as at 30 June 2001	Exercise period	Exercise price per share HK\$
Law Ka Kin Eugene	29/3/2001	25,000,000	1/10/2001 - 30/9/2004	0.11
Wong Kin Yick Kenneth	29/3/2001	20,000,000	1/10/2001 - 30/9/2004	0.11
Miao Wen Hao Felix	29/3/2001	15,000,000	1/10/2001 - 30/9/2004	0.11
Law Ping Wah Bernard	29/3/2001	20,000,000	1/10/2001 - 30/9/2004	0.11

Save as disclosed above, during the six months ended 30 June 2001, none of the directors and chief executive of the Company nor any of their spouse or children under 18 was granted or holding options to subscribe for shares in the Company (within the meaning of the SDI Ordinance), nor had exercised such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name of shareholder	Number of Shares	Shareholding %
CASH (Note 1 & 4)	1,009,264,783	50.08
Kwan Pak Hoo Bankee (Notes 2 & 4)	1,086,619,945	53.92
Khoo Ken Wee (Notes 3 & 4)	1,060,152,090	52.61
Yasumitsu Shigeta (Note 5)	374,000,000	18.56

Notes:

- (1) The 1,009,264,783 shares are held by CIGL which is a wholly owned subsidiary of CASH. CASH is deemed to be interested in the shares held by CIGL.
- (2) The shares are held as to 1,009,264,783 shares by CIGL, as to 47,887,307 shares by Cash Guardian and as to 29,467,855 shares by Suffold. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 41.97% by Cash Guardian (which is 60% beneficially owned by Jeffnet Inc) and 10.64% by Suffold (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which are held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan is deemed to be interested in the aggregate shares held by CIGL, Cash Guardian and Suffold.
- (3) The shares are held as to 3,000,000 shares personally by Mr Khoo, as to 1,009,264,783 shares by CIGL and as to 47,887,307 shares by Cash Guardian. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 41.97% by Cash Guardian (which is 40% beneficially owned by Mr Khoo) and 0.47% by Mr Khoo personally. Mr Khoo is deemed to be interested in the aggregate shares held by CIGL and Cash Guardian pursuant to the SDI Ordinance.
- (4) For avoidance of doubt, the above interests held by CASH, Mr Kwan and Mr Khoo have taken into account the 1,009,264,783 shares held by CIGL and the above interests held by Mr Kwan and Mr Khoo have also taken into account of the 47,887,307 shares held by Cash Guardian.
- (5) This refers to the 374,000,000 shares held by Hikari Tsushin, Inc. Mr Yasumitsu Shigeta, through his personal name, family members and Hikari Power Limited, a company wholly-owned by Mr Yasumitsu Shigeta, controls more than one third of the voting power at a general meeting of members of Hikari Tsushin, Inc. Mr Yasumitsu Shigeta is deemed to be interested in all the shares held by Hikari Tsushin, Inc pursuant to the SDI Ordinance.

Save as disclosed above, the Directors are not aware of any other person having an interest in the shares representing 10% or more of the issued share capital of the Company.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), neither BNP nor its directors or employees or associates (as referred to in note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the share capital of the Company as at 30 June 2001.

Pursuant to the agreement dated 10 December 2000 entered into between the Company and BNP, BNP will receive a fee for acting as the Company's sponsor for the period from 10 December 2000 to 31 December 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Bankee P Kwan

Chairman

Hong Kong, 13 August 2001