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CASH 
**CELESTIAL ASIA SECURITIES
HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

CASH
on-line
CASH ON-LINE LIMITED

PROPOSED TRANSFER OF FINANCIAL SERVICE BUSINESS

FROM CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

TO CASH ON-LINE LIMITED

AND

PROPOSED ISSUE OF CONVERTIBLE NOTE BY CASH ON-LINE LIMITED

INTRODUCTION

CIGL and COL entered into the Agreement under which CIGL shall transfer the Interest (including the Loan) to COL or its nominee at the Consideration. The Consideration will be settled by the issue of the Convertible Note by COL.

THE AGREEMENT

Date: 28 June 2001

Parties: purchaser - COL or its nominee seller
- CIGL, the 50.08% shareholder of COL

Transaction: CIGL shall sell to COL or its nominee the Interest at the Consideration. The Transaction constitutes a major transaction and connected transaction for each of CASH and COL.

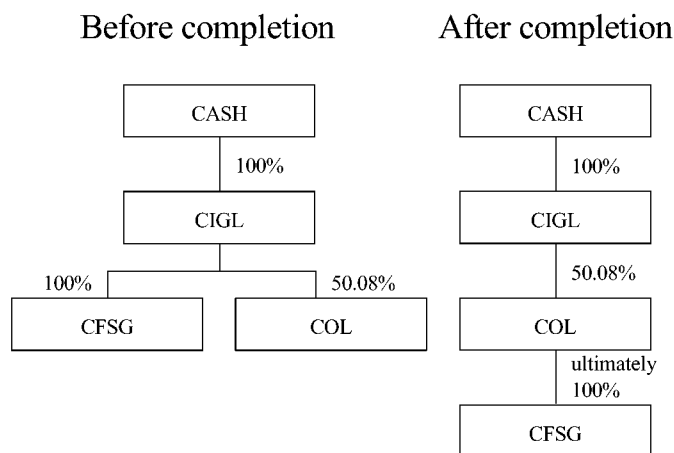
Consideration: HK\$438,000,000 which represents a premium of 25.14% to the proforma net book value of the Interest of HK\$350,000,000 as at 30 April 2001. The Consideration is agreed between CASH and COL on an arm's length basis and it will be settled by the issue of the Convertible Note by COL.

Conditions:

- (a) approval by the CASH Independent Shareholders in SGM on the Transaction and the continuing corporate guarantees given by CASH in favour of banks for CFSG Group in relation to banking facilities granted by the banks for the operation of the Financial Service Business as described in the paragraph headed "Continuing Corporate Guarantee"
- (b) approval by the COL Independent Shareholders in SGM on the Transaction, the material change of its existing business as described in the paragraph headed "Material change of business of COL Group", and the cancellation of the Trading Rights Agreement
- (c) approval(s) from the licensing division of SFC on the change of the ultimate ownership of the SFC licences presently held by CFSG Group from CASH to COL
- (d) approval(s) from the participant services departments of SEHK and HKFE on the change of the ultimate ownership of the exchange participants in SEHK and HKFE
- (e) approval of the Listing Committee of the Growth Enterprise Market of SEHK on the listing of COL Shares issuable under the Convertible Note
- (f) approval of the Bermuda Monetary Authority for the issue of the Convertible Note and the COL Shares to be issued thereunder

Completion: To be held on or before 30 September 2001 or any other date as may be mutually agreed by CIGL and COL and by when all outstanding loan from CFSG Group to CASH Group (excluding CFSG Group) other than the Loan shall be repaid and settled by CFSG Group.

Structure: The simplified group structures of CASH Group and COL Group before and after completion of the Transaction are as follows:



Other shareholding of COL of 49.92% are held as to 18.56% by Hikari Tsushin, Inc, as to 4.29% by five directors of COL and/or CASH (being Mr Kwan, Mr Khoo, Mr Law Ping Wah Bernard, Mr Law Ka Kin Eugene and Ms Kwok Oi Kuen Joan Elmond), and as to 27.07 by public

Note: upon full conversion of the Convertible Note and assuming the shareholding of CIGL in COL and the share capital of COL remain unchanged, the shareholding of CIGL in COL will be increased to 79.62% in which case the public float will fall below the requirement of the Listing Rules

CFSG

The Financial Service Business

CFSG is a limited company incorporated in the British Virgin Island and the major operating business of its subsidiaries is the Financial Service Business. CFSG Group has commenced business for more than 28 years and its existing business include brokerage of securities and commodities, margin financing, corporate finance, financial research and nominee services.

Presently, CFSG Group is the holding company for the Financial Service Business and holds, inter alia,:

- 9 trading rights in SEHK with SEHK participants
- 2 trading rights in HKFE with HKFE participants;
- SFC licences to act as investment advisor, securities dealer, commodities dealer, securities margin financier.

CFSG Group operates the existing entire securities brokerage related business of CASH Group. As at 31 December 2000, the proforma combined net tangible asset value of CFSG calculated using the audited accounts of individual companies of CFSG are approximately HK\$37,217,000. As at 30 April 2001, the intercompany balance due from CFSG to CIGL was approximately HK\$310,120,000. The intercompany balance due therefrom acts as the general ordinary operating capital for CFSG for the Finance Service Business. The net book value of the Interest, being the equity interest in CFSG and the total outstanding loan due from CIGL to CFSG as at 30 April 2001 cannot be determined at the moment. At the time of completion, all outstanding loan from CFSG Group to CASH Group (excluding CFSG Group) other than the Loan shall be repaid and settled by CFSG Group. The proforma profit and loss after tax of CFSG prepared on the basis of the audited accounts of individual companies of CFSG for the two years ended 31 December 2000 and 31 December 1999 were profit of approximately HK\$130,249,000 and loss of approximately HK\$24,747,000 respectively. The proforma profit and loss before tax of CFSG prepared on the basis of the audited accounts of individual companies of CFSG for the two years ended 31 December 2000 and 31 December 1999 were profit of approximately HK\$130,181,000 and loss of approximately HK\$26,458,000 respectively.

Relationship between CFSG Group and COL Group

The existing businesses of CFSG Group and COL Group are closely related with each other. Both groups provide a wide range of financial services targeted at the Hong Kong retail sector with an emphasis on securities and commodities brokerage services.

Before the formation of COL Group in 1998, CFSG Group was a traditional brokerage service house. COL Group was established to engage in the development of electronic applications to provide comprehensive range of electronic financial service products to fulfil the diversified personal financial and lifestyle needs. It also operates an electronic trading platform for brokerage of securities and commodities.

Since January 1999, COL Group has been providing the electronic trading platform services for brokerage or financial service houses including CFSG Group. With the electronic trading platform service from COL Group, CFSG Group is able to provide both online and offline brokerage services to its brokerage clients. In order to benefit from economy of scale, COL Group and CFSG Group maintain very close business relationship with each other in their day-to-day operation.

TERMINATION OF ACQUISITION AGREEMENTS DATED 8 JUNE 2000

In view of CFSG Group having the trading rights in SEHK and HKFE, COL sees it not necessary for COL Group to proceed the Trading Rights Agreements subject to:

- the approval of COL Independent Shareholders in SGM; and
- the completion of the Transaction.

MATERIAL CHANGE OF BUSINESS OF COL

In view of the acquisition of the Financial Service Business, the existing business of COL Group, being electronic financial service provider to provide a comprehensive range of electronic financial service products will be extended to include offline financial brokerage services upon completion of the Transaction. In this regard, there will be material change in business nature of COL Group which shall require the approval from COL Independent Shareholders in SGM according to Rule 17.25 of GEM Listing Rules.

CORPORATE GUARANTEE

As at 30 April 2001, CASH has provided approximately HK\$155,536,000 financial guarantee to various banks for providing banking facilities to CFSG Group for the operation of its Financial Service Business. Upon completion of the Transaction, such corporate guarantee constitute a connected transaction for CASH and accordingly requires approval of CASH Independent Shareholders in SGM. As the corporate guarantee provides terms better than normal commercial term to COL and no security is required to be provided by COL upon completion of the Transaction, COL is exempted from shareholders' approval requirement under Rule 20.52 of GEM Listing Rules for the corporate guarantee.

THE CONVERTIBLE NOTE

Principal amount:

The principal amount of the Convertible Note will be HK\$438,000,000.

Interest:

The Convertible Note will bear interest at a rate of 2% per annum from the date of issue of the Convertible Note to the date of repayment.

Repayment date:

The final date of repayment will be 31 December 2006. COL will have the right to early repay part or all of the principal amount (together with interest) of the Convertible Note. The Convertible Note will not provide CIGL for any right to demand for early repayment by COL (except in the case of an event of COL's default, CASH ceasing to be the largest single shareholder of COL, or as otherwise agreed by COL).

Conversion:

The outstanding principal amount of the Convertible Note may be convertible into COL Shares in multiples of board lots of COL Shares and of principal value of not less than HK\$1,000,000 (unless for conversion of balance of principal amount) at any time after the date of issue of the Convertible Note up to prior to full repayment. The initial conversion price is HK\$0.150 per COL Share (being 0.01% discount to the closing price of HK\$0.151 per COL Share ended on 27 June 2001, which is the last trading day prior to the date of this announcement, 7.9% premium to the ten trading day average closing price of HK\$0.139 per COL Share ended on 27 June 2001, and 37.61% premium to

the unaudited net tangible asset value of HK\$0.109 per COL Share as at 31 March 2001), subject to adjustment.

In view of the premiums to the latest average market price and the net tangible asset value per COL Share and the low market liquidity of COL Shares, the boards of directors of CASH and COL consider the terms of the Convertible Note fair and reasonable. The initial conversion price was agreed after arm's length negotiations between CIGL and COL.

COL Shares to be issued upon conversion:

The COL Shares to be issued upon conversion of the Convertible Note will rank pari passu in all respects with the COL Shares then in issue at the date of conversion. Application will be made to SEHK for the listing of and permission to deal in the COL Shares then issued.

The Convertible Note is convertible at the initial conversion price into a total of 2,920,000,000 COL Shares representing approximately 144.90% of the existing issued share capital of COL and approximately 59.17% of the existing issued share capital of COL as enlarged thereby.

Voting rights of the holder(s) of the Convertible Note:

The mere holding of the Convertible Note will not entitle the holder(s) to have any right to vote at general meetings of COL.

Transferability:

The Convertible Note will be transferable with the consent of COL only to persons who are not connected with CIGL or any associates (save for wholly-owned subsidiary or 100% holding company of CIGL which shall not require consent of COL).

Listing of the Convertible Note:

No listing of the Convertible Note will be sought on SEHK or any other stock exchange. However, COL will apply for the listing of the COL Shares to be issued upon the conversion, in part of in whole, of the Convertible Note.

No invitation for subscription

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire or subscribe for any securities in COL.

REASONS FOR THE TRANSACTION

In order to enjoy the benefits of economy of scale, CFSG Group and COL Group share much of product development and their operations. The merging of the two groups will create additional synergies for both through the elimination of duplications in the existing infrastructure of and the enhancements in the utilization of human resources, operations and capital investments in both groups.

The recent trend of the integration of internet and mobile telecommunications based service to traditional medium of financial services meant that CFSG Group will need to integrate such electronic medium with its traditional “brick and mortar” medium to remain competitive. Furthermore, the latest Hong Kong market infrastructure and regulatory framework meant that COL Group cannot operate purely in the virtual sphere as its peers in overseas markets. Therefore, it is the opinion of the directors of both CASH and COL that a merger of the two will result in an organization that is substantially better equipped with a much rationalized operation structure to compete in the local financial service environment. The board of COL does not anticipate impact on the business or the employees of COL Group or CFSG Group upon their merge.

In spite of the close business nature of COL Group and CFSG Group, there would be much cross selling opportunities between the two groups. Hence, the merge of COL Group and CFSG Group will facilitate the cross marketing jobs of each of them.

Besides, as both CASH and COL are required to observe the Listing Rules, the business collaboration between CFSG Group and COL Group from time to time may trigger technical compliance issues under the Listing Rules from time to time, including connected transactions, between CASH and COL, which would jeopardize the time-to-market business operations between COL Group and CFSG Group as well as incur much extra expenses on CASH and COL for the purpose of the statutory compliance issues. Completion of the Transaction will eliminate such business inflexibility and the costly statutory expenses in concern.

Upon completion of the Agreement, CASH nevertheless could still maintain its controlling interest in CFSG Group and the Financial Service Business via COL with a substantially streamlined operation and structure albeit at a reduced ultimate percentage of interest. Save for the Financial Service Business acquired under the Transaction, there shall be no material change in the business objectives of COL Group as set out in the listing document of COL dated 13 December 2000. In spite of the merge of CFSG Group and COL Group, all the non-exempted continuing connected transactions as set out in pages 79-82 the listing prospectus of COL dated 13 December 2000 shall no longer apply.

In the opinion of the directors of CASH, under the accounting principles generally accepted in Hong Kong, upon completion, no profit and loss will be recorded by CASH for the Transaction for the underlying financial year and there will be no change in the net asset value of CASH.

BUSINESSES OF CASH

The principal businesses of CASH Group consists of the Financial Service Business via CFSG Group, the electronic development for financial services via COL, the furniture and household retailing via Pricerite Group Limited, retailing of personal finance, technology projects including optical fiber manufacturing and solutions development.

SHAREHOLDING IN COL

Presently, CASH is ultimately holding 50.08% shareholding interest in COL. Upon the issue of the Convertible Note and assume the full conversion of the Convertible Note by CIGL, CASH's

ultimate shareholding interest in COL will be increased to 79.62% (assuming no change in CASH's shareholding in COL and the total issued share capital of COL) in which case the public float of COL will fall below the requirement of the Listing Rules. CIGL has undertaken that it will not convert the entire or part of the Convertible Note in a way that the public float of COL will fall below the requirement under the Listing Rules.

GENERAL

The Transaction constitutes a major transaction for each of CASH and COL. As CASH is a substantial shareholder of COL and COL is a non-wholly owned subsidiary of CASH, the Transaction also constitutes a connected transaction for each of CASH and COL under the Listing Rules and is conditional upon, among other things, approvals from CASH Independent Shareholders and COL Independent Shareholders in their respective SGMs. At the SGM of CASH, Mr Kwan, Mr Khoo and their respective associates shall abstain from voting whilst at the SGM of COL, CASH, Mr Kwan, Mr Khoo and their respective associates shall abstain from voting, by virtue of their controlling interest in the respective companies.

Circular containing further details of the Agreement and the corporate guarantee, recommendation of the independent board committee together with the letter of advice from the independent financial adviser and the notice of SGM of each of CASH and COL will be despatched to shareholders of CASH and COL respectively as soon as practicable.

Trading in the shares in CASH and COL on SEHK were suspended at the request of CASH and COL from 10:00 am on 28 June 2001. CASH and COL have applied to SEHK for resumption of trading in their shares at 10:00 am on 29 June 2001.

DEFINITIONS

“Agreement”	the sale and purchase agreement dated 28 June 2001 and entered into by CIGL and COL for the Transaction
“associates”	has the meaning prescribed in the Listing Rules
“CASH”	Celestial Asia Securities Holdings Limited, a company incorporated in Bermuda with limited liability, and the 100% holding company of CIGL and the controlling shareholder of COL, and which securities are listed on the main board of SEHK
“CASH Group”	CASH and its subsidiaries including CFSG Group but excluding COL Group
“CASH Independent Shareholders”	shareholders of CASH other than Mr Kwan, Mr Khoo, Mr Law Ping Wah Bernard, Mr Law Ka Kin Eugene, Ms Kwok Oi Kuen Joan Elmond and their respective associates

“CFSG”	Celestial Financial Services Group Limited, a company incorporated in the British Virgin Islands, and is a wholly owned subsidiary of CIGL
“CFSG Group”	CFSG and its subsidiaries which operate the Financial Service Business
“CIGL”	Celestial Investment Group Limited, the immediate 100% holding company of CFSG and a wholly owned subsidiary of CASH
“COL”	CASH on-line Limited, a company incorporated in Bermuda with limited liability, which is a 50.08% subsidiary of CASH, and which shares are listed on the Growth Enterprise Market of SEHK
“COL Group”	COL and its subsidiaries
“COL Independent Shareholders”	shareholders of COL other than CASH, Mr Kwan, Mr Khoo, Mr Law Ping Wah Bernard, Mr Law Ka Kin Eugene, Ms Kwok Oi Kuen Joan Elmond and their respective associates
“COL Share(s)”	ordinary share(s) of HK\$0.10 each in COL
“Consideration”	HK\$438,000,000
“Convertible Note”	the convertible note of principal amount of HK\$438,000,000 with an initial conversion price of HK\$0.150 per COL Share to be issued by COL to CIGL for the settlement of the Transaction pursuant to the Agreement, details of which are described under the heading of “The Convertible Note”
“Financial Service Business”	the financial and brokerage related business of CASH Group including those as described under the heading of “The Financial Service Business”
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the SEHK
“Interest”	being the entire equity interest in CFSG and the Loan which shall have an unaudited net book value of HK\$350,000,000 in aggregate as at 30 April 2001
“Listing Rules”	Rules Governing the Listing of Securities on the SEHK and/or GEM Listing Rules

“Loan”	being part or all of the interest-free shareholder's loan outstanding from CFSG to CIGL, which when aggregate with the net asset value of CFSG as at 30 April 2001 shall be of a net book value of HK\$350,000,000, and in the event such shareholder's loan when aggregate with the net asset value of CFSG fall short therefrom, CIGL shall make up the shortfall thereof and such Loan shall include the shortfall accordingly
“Mr Khoo”	Khoo Ken Wee, an executive director and deemed substantial shareholder of both CASH and COL
“Mr Kwan”	Kwan Pak Ho Bankee, an executive director and deemed substantial shareholder of both CASH and COL
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFC”	the Securities and Futures Commission
“SGM(s)”	special general meeting(s)
“Trading Rights Agreements”	two agreements entered into between two subsidiaries of COL and two subsidiaries of CFSG on 8 June 2000 in relation to the acquisition of the trading rights in SEHK and HKFE as announced by CASH on 8 June 2000
“Transaction”	the transaction contemplated under the Agreement, being the transfer of the Interest from CASH Group to COL Group at the Consideration to be settled by the issue of the Convertible Note

Hong Kong, 28 June 2001

Please also refer to the published version of this announcement in the South China Morning Post.