CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2001

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("CASH" or "Company") and its subsidiaries ("Group") for the six months ended 30 June 2001 together with the comparative figures for the last corresponding period are as follows:

Consolidated Income Statements

		Unaudited	
		Six months ended 30 June	
		2001	**2000**
	Notes	*HK$'000*	*HK$'000*
Turnover	3	351,634	292,693
Cost of goods sold		(149,124)	-
Gross profit		202,510	292,693
Salaries, allowance and commission		(116,626)	(122,213)
Depreciation and amortization		(20,153)	(7,807)
Amortization of goodwill		(850)	-
Other operating and administrative expenses		(140,856)	(130,882)
Finance costs		(6,979)	(7,357)
Net operating (loss)/profit		(82,954)	24,434
Other revenue	4	-	135,202
Restructuring costs	5	(42,672)	-
Impairment losses of investments in securities		(173,900)	-
Share of losses of associates		(6,005)	(1,018)
(Loss)/profit before taxation		(305,531)	158,618
Taxation	6	(11)	(3,900)
(Loss)/profit before minority interests		(305,542)	154,718
Minority interests		12,135	19,712
(Loss)/profit attributable to shareholders		(293,407)	174,430
(Loss)/earnings per share	7		

Basic	(4.74 cents)	3.51 cents
Diluted	N/A	3.38 cents

There were no recognized gains or losses other than the net loss for the period.

Notes: -

(1) Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), except no comparative figures have been presented for the unaudited condensed consolidated cash flow statements.

The interim consolidated financial statements for the six months ended 30 June 2001 are unaudited but have been reviewed by the Audit Committe of the Company.

Certain comparative figures for the six months ended 30 June 2000 have been reclassified to conform with the current period's presentation as required under SSAP 1 "Presentation of Financial Statements" and the presentation of the audited accounts for the year ended 31 December 2000.

(2) Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2000, except the newly adopted accounting standards as described below.

In the current period, the Group adopted, for the first time, a number of new and revised SSAP issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following revised accounting policy.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill previously eliminated against reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiaries and associates and the date of adoption of SSAP 30 have been recognized retrospectively (see Note 8). Goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

Goodwill arising on acquisitions after 1 January 2001 is capitalized and amortized over its estimated useful life of 20 years. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

(3) Segmental information

The principal activities of its subsidiaries consists of (a) investment holding, (b) financial services including brokerage and trading of securities, futures, commodities and options, margin financing and corporate finance, (c) retail sales, and (d) technology development projects.

The Group's turnover and contribution to profit before taxation for the period 30 June 2001, analyzed by principal activity and geographical market, were as follows:

	Turnover		**Contribution to profit before taxation**	
	Unaudited Six months ended 30 June			
	2001 HK$'000	**2000 HK$'000**	**2001 HK$'000**	**2000 HK$'000**
By principal activity:				
Income from broking, financing and advisory services	127,325	289,941	(51,897)	38,283
Income from retail sales	237,905	-	12,503	-
Loss arising from strategic investments and proprietary trading	(19,760)	-	(196,985)	(81)
Income from information technology development	-	-	(43,093)	(36)
Contribution from associates	-	-	(6,005)	(1,018)
Other revenues	-	-	-	135,202
Others	6,164	2,752	(20,054)	(13,732)
	351,634	292,693	(305,531)	158,618
By geographical market:				
Hong Kong	351,634	292,693	(262,859)	158,618
United States of Amercia	-	-	(42,672)	-

	351,634	292,693	(305,531)	158,618

(4) Other revenue

Other revenue represented gains on deemed partial disposals of interests in certain subsidiaries, namely CASH on-line, Inc. and its subsidiaries.

(5) Restructuring costs

In response to the rapid deterioration of the global information technology business environment, the Group commenced a restructuring plan in the first half of the year for its Technology Development Group ("TSD"). The plan included downsizing and consolidating of some operations of TSD to preserve resources only on those technology projects with the most promising potentials.

	Six months ended 30 June 2001
HK$'000	
The restructuring costs incurred comprise:	
Loss on impairment of property and equipment	11,170
Redundancy costs of the staff	31,502
	42,672

(6) Taxation

Hong Kong Profits Tax is calculated at the prevailing rate in force on the Group's estimated assessable profits arising in Hong Kong less tax losses brought forward.

(7) (Loss)/earnings per share

The calculation of basic (loss)/earnings per share of HK$0.10 each is based on the loss attributable to shareholders for the period of HK$293,407,000 (2000: Profit of HK$174,430,000) and the weighted average number of 6,184,893,223 (2000: 4,970,507,916) ordinary shares in issue during the period.

No diluted loss per share is shown in the same period of the current year because the dilution effects arising from the exercises of all dilutive potential ordinary shares would be anti-dilutive. The calculation of diluted earnings per share for the period ended 30 June 2000 is based on the following data :

6 months ended
30 June 2000

Earnings	
Profit for the period attributable to shareholders	HK$174,430,000
Number of shares	
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	4,970,507,916
Weighted average number of ordinary shares:	
Assumed issued at no consideration on deemed exercise of all share options outstanding during the period	88,137,000
Assumed issued upon the conversion of the conversion options granted to Fortune International Limited and CyberWorks Ventures Limited	100,603,000
Weighted average number of ordinary shares used in diluted earnings per share calculation	5,159,247,916

(8)Adjustments retrospectively applied upon adoption of new and revised SSAP

The financial effect of the adoption of the revised accounting policy as described in note 2 is summarized as belows:

	6 months ended 30 June 2000 (Unaudited)	**12 months ended 31 December 2000 (Audited)**
	HK$'000	HK$'000
Profit as previously reported	174,430	101,767
Impairment of goodwill recognized upon the adoption of SSAP 31	-	(438,118)
Profit/(loss) as retrospectively restated	174,430	(336,351)
Basic earnings/(loss) per share:		
As previously reported	3.51 cents	2.00 cents
As retrospectively restated	3.51 cents	(6.61 cents)
Diluted earnings per share:		
As previously reported	3.38 cents	1.99 cents
As restrospectively restated	3.38 cents	N/A

SSAP 31 prescribes procedures to be applied to ensure that assets are carried at not more than their recoverable amounts. The recoverable amount of an asset is defined to be the higher of its net selling price and its value in use. The Group determines the value in use of its assets, (including property and equipment, goodwill arising on business combinations accounted for using the purchase method and intangible assets) as the present value of estimated future cash flows together with estimated disposal proceeds at the end of its useful life. The Group is required to assess at each balance sheet date whether there are any indications that assets may be impaired, and if there are such indications, the recoverable amount of the assets.

The Group has performed an assessment of the fair value of its assets, including the related goodwill that had previously been charged to reserves. The Group has retrospectively restated its previously reported net profit for the periods ended 30 June 2000 and 31 December 2000 by a loss of HK$ nil and HK$438,118,000 respectively for the impairment of goodwill arising from the acquisition of subsidiaries and associates.

INTERIM DIVIDEND

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

OUTLOOK AND REVIEW

REVIEW

The first half of 2001 saw a significant and continuous decline in the financial market. As a result, volatile market conditions and economic slowdown impacted adversely on the Group's financial services core business. Due to the unfavorable market condition, the Group reported an operating loss of HK$83 million before provisions for investments for the period. However, in view of the extremely unfavourable investment environment, the board of directors ("Board") decided to make impairment provisions of HK$173.9 million for its investments. The Board had been tracking and reviewing the state of the Hong Kong economy closely and made decisive short-term remedies to weather the current economic environment as well as long-term measures to ensure growth and future prosperity.

The year began with an ongoing across the board cost reduction initiative for the financial services business bringing about rationalization and streamlining of business operations, more stringent capital expenditure and reduction in operating expenses. To fulfill the mission of the management to continuously seek out opportunities and means to grow, the Board began a process of diversifying the income stream of the Group while leveraging on the experience and strength culminated from serving the Hong Kong retail public in the financial services arena. The reorientation to become a diversified service conglomerate to broaden the customer base and to develop a more stable income stream for the Group led to the acquisition of a majority stake in Pricerite Group Limited ("Pricerite"). Listed on the Stock Exchange, Pricerite is one of the largest local retailers of household and furnishing items. The Board intends to seek out further opportunities in the low-to-mid end service sector to further mitigate the cyclical factors inherent to the financial services industry.

By adopting the ongoing cost control measures, together with the acquisition of Pricerite and the Group's strong balance sheet, the Directors are confident that the Group is well placed to weather the current economic difficulties.

Financial Services

The first half of this year saw a continuation of the severe decline in turnover and volume on the Stock Exchange of Hong Kong that began with the burst of the technology bubble in 2000. Against a backdrop of deteriorating economic outlook, worsening market sentiment and consumer confidence, the Group conducted a decisive and sweeping reorganization and rationalization initiative to ensure that the financial service business will not succumb to the current difficulties and future challenges to come. In the pursuit of cost reduction and efficiency enhancement, non-profitable business lines were suspended, credit policy and risk management were further tightened, and employee headcount was reduced. This precautionary plan, although did not immune the group from the negative cyclical nature of the financial services industry, served to minimize the exposure to the downturn as the World brace itself for further decline in the global economy.

2001 saw marked intensification in competition within the brokerage industry. New entrants to the on-line arena in the already crowded and depressed market place brought with them competition by way of steep discounts and massive cash giveaways to attract customers. But the most formidable competition came in the form of banks. The banking industry, faced with the deregulation in interest rate this July, have been moving aggressively into fee based services. Previously a value added service is rapidly becoming a major fee based service to replace revenue lost to decreased interest income. The Board elected to refrain from resorting to utilize cost of sales items such as acute commission discounts or overly aggressive incentive schemes to attract new clients and to retain existing ones. The Directors are unanimous in the belief that resorting to strategies that discounts the value of our services in the name of competition does not build a long lasting and profitable customer base. Instead, the Group will move forward on a tradition of continuously delivering additional values via upgrading service quality, constant product enhancements, and utilizing technology to deliver the most efficient and reliable trading services possible.

The Group introduced its Prestige personalized service for high net worth house clients. It spearheads the overall drive to upgrade our service quality. The Directors are of the opinion that only by relentlessly improving our service offering will the Group become one of the most recognized and preferred brokerage in Hong Kong and will reward the Group with enhanced revenue generating ability when the market recovers from the recent doldrums.

It is according to this belief that CASH on-line Limited ("CASH on-line"), the Group's listed on-line financial services subsidiary continued to broaden its product offering. During the period CASH on-line successfully launched its WAP and PDA trading services for securities and commodities through its partnership with PCCW Mobility Services and Hutchison OrangeWorld. By extending the real time credit management module developed for the commodities trading and margin trading service, the Company became the first brokerage in Hong Kong to offer a T + 2 settlement service, adding further efficiency and flexibility to benefit its clients.

The Company broadened its service offering by launching e-Fund, a unit trust trading platform supported by nine fund providers with over 300 SFC approved funds for its clients to choose from. It also launched the e-Surance insurance distribution platform. Developed through a partnership with the leading American insurance brokerage firm AON, it marks the Group's first venture into the insurance distribution business.

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

The Group is encouraged by the much improved investment banking services during the period. The corporate finance service launched the brand new Shareholders Value Enhancement program that builds long term relationship with the corporate clients of CASH as well as broaden the income stream of the Group. The Directors are optimistic that the corporate finance consultancy will bring significant increases in revenue contribution in the future.

In June, the Group and CASH on-line proposed to its shareholders to merge the on-line and off-line financial services businesses. The Directors are of the view that only operating as a unified “brick and mortar” operation will the financial services business reap the benefits of economies of scale as well as eliminate unnecessary duplications in infrastructure, human and capital resources. It will also enable the merged group to tap the broadest possible audience in the Hong Kong market. Combined, it will be in a position to offer more compelling product offerings against an even more efficient infrastructure. Both CASH on-line and the Group had already received both consent from the relevant regulatory bodies as well as their respective shareholders. Completion will take place in September and the Directors believe that the combined group will bring with it a new level of enhanced competitiveness and profitability in the future.

Pricerite

The Group embarked on its mission to transform itself into a cross-sector services conglomerate with the acquisition of Pricerite. Since the acquisition, a restructuring program in Pricerite in financing, management and marketing was completed. The subsequent new advertising campaign launched to re-brand Pricerite was well received by Hong Kong consumers.

Under the guidance from the Board, the management of Pricerite embarked on a series of enhancement programs to build dynamism and business momentum for the company. Operational structure was rationalized and workflow streamlined. Pricerite saw a steady and significant increase in operational efficiency through improvements made in logistics, merchandising, inventory management and technology driven warehouse rationalization. Pricerite is now a customer-driven retailer committed to providing a full range of well-selected household products with emphasis on quality assurance. As a result, Pricerite enjoyed an increase turnover and net profit for the period. The Directors are encouraged to see that through management and financial support from CASH, Pricerite is moving from strength to strength despite a declining economy and consumer spending.

Transtech - Optical Fiber Joint Venture

The development of Transtech Services Group (“Transtech”), the joint venture optical fiber manufacturing arm is progressing according to schedule. Since its inception in mid 2000, the progress of this investment project has reached the final completion of the Tai Po manufacturing plant and management is preparing for test run in the near future. The Directors anticipate that once completed, this manufacturing plant will enjoy a comparatively lower operating cost than comparable international manufacturers. Responses from potential buyers in the region have been positive.

The Directors are closely monitoring signs of a reduction in global demand for optical fiber. The price of optical fibers has been on a steady decline from its peak in 2000 while international competitors have been reducing production capacity and operating costs. The Directors will modify the output capacity and underlying cost structure as the plant enters into production to fall in line with the overall industry.

OUTLOOK

The Hong Kong economy continued its downward spiral with increasing unemployment, decline in private and corporate investment as well as diminishing consumer spending. Downsizing efforts by local and international businesses during the period served to confirm the weakness in the global economy currently and in the future. Compounded by the terrorist attacks in America, the destruction in the largest financial center in the world and the tragic lost of lives, further turbulence and uncertainty lies ahead. The Board believes that prudence and restraints is of utmost importance for the future of the Group.

The Directors anticipate further hard times ahead in particular, during the second half of 2002 when brokerage commission has been deregulated. The Directors expect to see substantial consolidation within the over crowded market space leaving only those with solid and efficient infrastructure and financial strengths. Preservation of a strong balance sheet will be the key objective as the entire financial services industry faces further decrease in revenue and profit margins. The management will continue to tighten cost control while continuing to extend and enhance the product offering on a cautious and selective basis.

Recent market research showed that Pricerite ranks first across several household product categories in Hong Kong. To maintain its leadership position, Pricerite will continue to enrich its mix and match product range as well as its product quality improvement initiative. Additional resources will be allocated to improve logistics technology to better manage space and human resources allocation, work scheduling and inventory cycle. The Group will focus its efforts to attain the highest level of operation efficiency possible to create better value for customers and improved margin for Pricerite. The Directors are encouraged by Pricerite's ability to exceed its aggressive budgetary targets and is confident that it will take its place as one of Hong Kong's top household goods retailers.

Amidst the potential global turmoil, China's economical development continues to grow from strength to strength. To fulfill management duty to continuously seek out and create growth for the Company, a representative office was established in Shanghai as a staging point to prudently explore future development opportunities. To this end, Pricerite commenced development of its business in China through the establishment of its first marketing point in Shanghai. While the Board are optimistic over the potential offered in China, the management will exercise the utmost prudence in the foray into the China market by closely monitoring and managing investment levels and the return on investments.

The Directors do not foresee non-recurring business or provision during the remainder of the year. Cost leadership, capital preservation, creating synergies and economies of scale in services, and maintenance of our strong balance sheet will continue to be the mainstay of our strategy to steer the Group through the current economic turbulence and to realize the mission of the Group to become a cross-sector service conglomerate.

LIQUIDITY AND CAPITAL RESOURCE

The Group continued to maintain a solid balance sheet even though it had already taken account of the unsatisfactory results for the period and the provisions for impairment made for its investments. As at 30 June 2001, total net assets decreased approximately 12% from HK$1.19 billion as at 31 December 2000 to HK$1.05 billion as at 30 June 2001.

The cash and bank balances totalled HK$802.7 million as at 30 June 2001, representing a decrease of HK$117.8 million as compared to those of as at 31 December 2000. The lower earnings during the period and the Group's investment in its optical fiber joint venture had attributed to the decrease in the cash and bank balances.

The total bank borrowings increased to HK$188.4 million as at 30 June 2001 from HK$121.4 million as at 31 December 2000. The increase in bank borrowings was the result of consolidating the bank borrowings of Pricerite following its acquisition by the Group in March 2001. Accordingly, the ratio of total bank borrowings to shareholders' equity was increased to 18% as at 30 June 2001 from 10% as at 31 December 2000. Bank borrowings are closely monitored by the Group to maintain gearing at a reasonable level.

The ratio of current assets to current liabilities was 1.60 as at 30 June 2001 compared to 2.28 as at 31 December 2000. The Board believes the downturn of the economy will continue which casts much uncertainty on the investment market in a longer perspective. However, the Group is standing on a healthy financial position and with the adopted prudent financial policy, the Group is well positioned to challenge any forthcoming difficulties and to grasp any business opportunities that may arise amid the adverse investment environments.

PUBLICATION OF FINANCIAL INFORMATION

The Company's 2001 interim report which sets out all the information required by paragraphs 46(1) to 46(6) inclusive in Appendix 16 of The Rules Governing the Listing of Securities on the Stock Exchange will be available for publication on the website of the Stock Exchange (http://www.hkex.com.hk) as soon as possible.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 17 September 2001

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