CASH

Celestial Asia Securities Holdings Limited

ready to go...

Annual Report 2001

CONTENTS

Celestial Asia Securities Holdings Limited is the holding company of the CASH Group — a multi-faceted service conglomerate that focuses on addressing the modern consumer needs in investment, finance, home improvement, and lifestyle products and services. Complementing the recurring income from the service businesses are high growth strategic investments in IT solutions and optical fibre manufacturing. While each business is operated by independent management teams set out to achieve their own clearly defined mission, they are bound together with a common belief that only by serving the customers well will they be successful.

Financial Services

CASH Financial Services Group is one of Hong Kong's leading financial services conglomerates. It operates one of Hong Kong's premier securities and commodities brokerage, and through alliances with world-class financial institutions, has diversified its product offerings into unit trusts, bond sales and insurance. Firmly in the league of the most active investment banking houses, its fully-fledged investment banking operation serves corporations from all over the region on corporate finance and advisory matters.

時機把握
富足一生

Home Improvement

A recent addition to the CASH Group is the Pricerite Group which is one of Hong Kong's leading household and furniture retailers. Through its network of over 40 stores and its own Internet shopping channel, Pricerite leads the market by offering a broad range of well chosen best-value home improvement products and services that exceed customers' expectations.

Technology Solutions

The Halo Group was established to capitalise on the experience and expertise accumulated within the CASH Group in research and development in high technology projects. It focuses on providing the latest IT solutions to businesses to automate and enhance the efficiency of their business processes and profitability. This is achieved either via bespoke systems integration and consultancy services or deployment of generic modular platforms according to customer needs.

Optical Fibre Manufacturing

Transtech Group is the joint venture optical fibre manufacturing arm of the CASH Group. Its initial objective is to develop the first Hong Kong based manufacturing facility capable of producing single mode fibre of the highest standard for telecommunications applications. The Taipo located plant is expected to begin operation in 2002.

MISSION

We aim to be one of the top 100 companies in Asia over the next five years in terms of market capitalisation.

To reach this goal, we shall build successful and lasting businesses in service industries that address today's consumer needs in personal investment, finance, home improvements and lifestyle. We shall manage these businesses based on our belief that our customers' interests always come first. Only by providing value to our customers will we deliver value to our shareholders and partners.

To build strength, we shall focus our attention on managing our human, financial, and brand capital. We shall recruit the best people and enhance their value by continuously investing in their intellectual capital. Our employees shall have strong ownership of their jobs and all be good team players. Our managers shall utilise prudent business policies along with vigilant management of financial resources. Our brands shall be synonymous with good customer services and value. Each business shall constantly enhance its brand equity by fulfilling its brand promise to our customers.

The CASH family of listed companies

Celestial Asia Securities Holdings Limited ("CASH")
Listed on the Hong Kong Stock Exchange (stock code #1049)

50.08%

CASH Financial Services Group Limited ("CFSG")
Listed on GEM of the Hong Kong Stock Exchange (stock code #8122)

66.18%

Pricerite Group Limited ("Pricerite")
Listed on the Hong Kong Stock Exchange (stock code #996)

** shareholding as at 31 December 2001*

CHAIRMAN'S LETTER

Dear fellow shareholders,

It gives me great pleasure to present our 2001 annual results. In a year when protracted economic difficulties imposed fundamental and structural changes in the market place as well as businesses, we also changed. During this period of immense economic turbulence and hardship for global and local commerce, our people showed great determination and courage, and through their remarkable endeavours we changed by our own design and, for the better.

As early as 2000, when the Internet bubble began to appear strained, my fellow directors and I became concerned and anticipated a possible and devastating reversal in our then recovering economy. In my mind, it was imperative that we achieve two goals in 2001. Firstly, we had to look at our businesses and investments, rationalise them and reduce their cost base to preserve our capital and weather the economic difficulties. Secondly, I firmly believe that it is our duty as management to build businesses. To do so, we needed to create a new structure that would help us capitalise on opportunities that may arise from the turmoil.

I am happy to report that we managed to successfully achieve both goals. We achieved our first imperative thanks to the resolution and good work done by our chief executive officers and their management during the course of the year. We completed our second imperative through mainly three corporate merger and acquisition initiatives. In March 2001, we acquired a controlling interest in Pricerite, and through a subsequent general offer and placing, completed the acquisition of a majority stake in Pricerite for a consideration of HK$161.7 million in July 2001. We then restructured our IT investments and founded the Halo Group with a view to manage and develop it into one of our principal businesses down the road. Lastly, we merged our traditional and electronic financial services businesses by consolidating them into our GEM listed subsidiary, CFSG. This was achieved by way of a convertible note with a maturity date of 31 December 2006 and a principle amount of HK$438.0 million issued by CFSG to us.

In so doing, we transformed our Group from what was mainly a single business financial services group into a multi-faceted service conglomerate.

Financial Review

Given the dire economic climate, 2001 was a remarkable year for our newly acquired subsidiary Pricerite. It boosted our consolidated turnover by 105.9% to HK$973.6 million over the same period of last year. Despite valiant efforts from the management of our financial services businesses, the dramatic decline in the securities markets worldwide resulted in an acute decrease in revenue contribution by more than 52.6% to HK$223.4 million. This, together with one-off restructuring costs incurred by our efforts to consolidate our operations, as well as prudent one-off provisions for certain technology investments, led to a consolidated net loss of HK$454.0 million for 2001. However, I would like to stress that this rationalisation and the one-time provisions will pave the way for our Group to capitalise on business opportunities during the next business cycle.

Bankee P Kwan, *Chairman & CEO*

More importantly, despite the setback in our financial performance, our Group remains financially strong and continues to maintain a solid balance sheet. We recorded a moderate decrease in net asset value from HK$1.2 billion on 31 December 2000 to HK$902.6 million on 31 December 2001.

Our cash and bank balances on 31 December 2001 were HK$761.7 million, representing a reduction of HK$158.8 million as compared to those as at 31 December 2000. This fall in cash and bank balances was primarily a result of the loss incurred during the year by the Group and our investment in our optical fibre joint venture Transtech. As both our borrowings and operating revenue were mainly in Hong Kong dollar, our exposure to foreign currency mismatch during the year was limited.

Our total bank borrowings increased from HK$121.4 million on 31 December 2000 to HK$155.6 million on 31 December 2001. This increase in bank borrowings was one of the effects brought into being when we consolidated the balance sheet of Pricerite into

from left to right:
Eugene Law, Bernard Law, Ken Khoo
Bob Chan, Joan Kwok, Thomas Li

our accounts. During the year, the ratio of the total bank borrowings to shareholders' equity reached 17.2% on 31 December 2001 from 10.2% on 31 December 2000. I am confident that we maintained our gearing at a prudent level, especially when the majority of our borrowings were used to finance the margin trading clients of CFSG. We were therefore able to comfortably set-off client borrowings against our bank financing together with a net interest margin earned from our margin book. As such, we were not exposed to any interest rate risk during 2001.

On 31 December 2001, the following assets were pledged to secure general banking facilities granted to two subsidiaries and an associate:

(1) leasehold properties at their carrying value of approximately HK$71.0 million; and

(2) cash and bank balances of approximately HK$43.7 million.

At the end of the year, our Group had contingent liabilities amounting to approximately HK$23.7 million, which included a guarantee given to a bank for general banking facilities granted to an associate and the long service payments that we are liable to pay under some circumstances specified in the Employment Ordinance.

The ratio of our current assets to current liabilities was 1.5x on 31 December 2001 as compared to 2.3x on 31 December 2000. Despite the economic ordeal in 2001, our Group remains financially sound. We are well positioned to grasp any business opportunities that may take place in Hong Kong and China.

We arranged and successfully completed a share placement on 19 July 2001 and a rights issue on 22 November 2001 through Pricerite, raising a total of HK$163.7 million for Pricerite. I am confident that Pricerite's strong financial position along with its steady internal cash generation capability places it in a good position to pursue its development plans in 2002.

On 31 December 2001, our businesses were staffed with 90 people at CASH, 268 at CFSG Group, 738 at Pricerite Group, 12 at Halo Group, and 31 people at Transtech Group. During the year, we committed to and expended significant resources to train and develop our people: from mandatory professional development programmes required by regulatory bodies to soft skills such as customer services, problem solving and Putonghua training. Staff remuneration is based on performance through regular reviews. On top of the MPF scheme, and various other staff benefits including medical scheme, and basic salaries commensurate with their contributions to our businesses, we reward those who delivered exemplary performance with discretionary share options and performance bonuses.


CASH
CASH

Better
PROSPECT

CASH Financial Services, one of Hong Kong's premier securities and commodities financial services houses, through alliances with world-class financial institutions, offers diversified financial products to customers

The End of the Beginning

Despite the disappointing results, last year was a year of exceptional achievements for us as a whole. We began 2001 principally as a well managed financial services company relying on highly cyclical brokerage income. We are now a multi-dimensional service conglomerate with a clearly defined structure and multiple sources of recurring revenue stream. Thanks to the dedicated efforts from our chief executive officers and their teams, the stabilised cash flow generated from the internal operations of our core businesses under their charge will complement and support the developments of our high growth strategic investments in the pursuit of our long-term growth strategy.

To achieve this transformation, we focused our attention on four key business areas: financial services, home improvement retailing, technology solutions and optical fibre manufacturing.

CFSG:
New Products, New Competences — A New Being

As I mentioned before, as early as 2000, we envisaged a difficult time ahead when cracks in the Internet bubble became evident. We promptly reviewed our business and prepared for the possibility of encountering unfavourable economic climate. As 2001 unfolded, fundamental changes in the market place emerged and cut-throat competition ensued. "Survival of fittest" became the order of the day. The Board initiated an enterprise-wide cost reduction initiative to rationalise and streamline our business operations to attain cost leadership and to preserve our capital.

Eugene Law and Kenneth Wong, who are now our deputy chairman and chief executive officer respectively for CFSG, led a decisive and sweeping reorganisation and rationalisation drive to prevent our business from succumbing to the economic hardships. Non-profitable business lines were suspended, credit policy and risk management were further tightened, and employee headcount was reduced.

Compounding the challenges they faced, Eugene and his team also encountered fierce competition from formidable global competitors entering the Hong Kong market, as well as increased threats from banks which focused increasingly more on fee based services to offset the impact of interest rate deregulation in Hong Kong.

2001 was about rationalisation not retrenchment. We continued to grow unabated through our efforts to deliver additional values via upgrading service quality, product enhancements, and utilising technology to deliver the most reliable trading services possible. We entered into new ventures and extended market leadership in established product lines by:

- launching our WAP and PDA trading services for securities and commodities through new partnerships with PCCW Mobility Services and Hutchison OrangeWorld;
- becoming the first brokerage in Hong Kong to offer a fully automated T+2 settlement service for online clients, adding further efficiency and flexibility to benefit our clients;
- developing our top class leading commodities platform and became the leader in the area of mini Hang Seng Index futures contract trading;
- broadening our product range through the launch of our funds and insurance distribution businesses; and last but not least;
- introducing our B2B securities execution service. We made a good start in this new stream of revenue with execution service for ICBC (Asia) and SinoPac Securities of Taiwan.

Eugene and I share the belief that product innovation goes hand in hand with good customer service if we are to create persuasive financial services offerings that will grow our business. And so we continued our investments in the development of our human resources, in particular in the area of customer services and support. We expended a total of over 3,000 hours of training in financial and product knowledge as well as soft skills such as customer services and problem solving for our staff. This was conducted in addition to the compulsory 1,200 hours of Continuous Professional Training


Home
fashion

Better
LIVING

a recent addition to CASH Group, Pricerite Group, one of Hong Kong's leading household and furniture retailers with extensive network and Internet shopping channel, offers customers value-for-money home improvement products and services

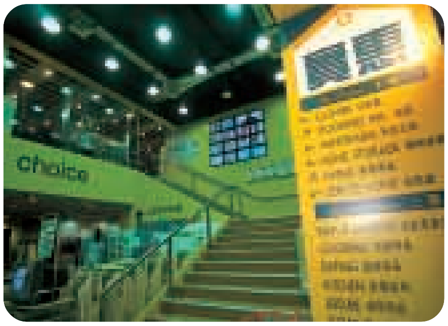
that we were obliged to fulfil by the Securities and Futures Commission. The resulting improved service quality rewarded us with a 75% reduction in customer complaint cases to only 24 last year.

While the best reward in these days of consumer choices and promiscuity for our efforts is our customers' loyalty and their business, it is nonetheless reaffirming for our people to receive acknowledgement from their peers and independent parties. Last year, their efforts in product development and service enhancements culminated in accolades from numerous organisations from IDG World Expo (Asia) for IT Excellence, to the Next Magazine Award for Service Excellence in the investment services category.

However, despite all the progress made for the prior CASH on-line, it was clear that the prospect for growth as a pure electronic services provider is limited. I feared that Hong Kong's unique market infrastructure meant that widespread acceptance of Internet-based services simply would not take off in the short-to medium-term. Furthermore, despite Eugene and Kenneth's concerted effort to rationalise costs and to enhance operating efficiencies, a significantly enlarged client base would have to be put in place quickly in order to considerably enhance our yield from our investments in systems infrastructure.

Specifically, we needed a traditional business with a client base sizeable enough to put our systems capacity to good use. At the same time, this business must be prepared to embrace and employ the prior CASH on-line's rapid product development and deployment capabilities. And so, on 28 June 2001, we proposed to merge our traditional financial services businesses with the prior CASH on-line. The merger was successfully completed on 28 September 2001. Renamed as CASH Financial Services Group, it is now the sole financial services arm within the CASH Group.

The subsequent merger of operations and services not only brought a significantly greater economy of scale, it also created a more focused management and use of resources. To our investors and potential investors, this restructuring will afford greater clarity and differentiation in investment themes. Most importantly, we transformed CFSG into a viable multi-dimension, multi-products business.



Pricerite Group

43

retail outlets
all over Hong Kong

Pricerite Group:
New Leaders, New Ideas — A New Page

The Board was aware of the risk of heavy reliance on the highly cyclical brokerage business to provide ongoing revenue stream. To diversify our income stream, we sought to leverage on the experience and strength culminated from serving the Hong Kong public in the financial services arena. This led to our acquisition of a majority stake in Pricerite in March 2001. Listed on the Hong Kong Stock Exchange, Pricerite is one of the largest local retailers of home improvement products including household items and furniture.

During the year, we appointed Thomas Li as the chief executive officer of Pricerite and a new team of management to focus on sharpening the five key weapons for any retailers to survive and win in our competitive world: brand power, product mix, logistical strength, customer service and shopping environment. Ever the pragmatist, Thomas also implemented with the support of his team a “Balanced Scorecard Programme” a scientific Management By Objective tool, to ensure tangible, quantifiable improvements.

Our management team continued to engage independent market research agencies to conduct market studies to enhance our appreciation of changing customer needs and expectations in order to review and refine our market positioning and strategy. Ongoing “mystery shopper” surveys at our stores conducted by these agencies helped us monitor and gauge our shopping experience and customer service improvement initiatives. To further improve the understanding of our customers, additional feedback channels such as opinion boxes and customer hotlines were installed to link our customers directly to us. A detailed review of our network distribution and consumer demographics and pedestrian traffic flow helped identify new geographic locations for our expansion.

In order to extend Pricerite’s brand power, we further developed and launched our “New Ideas from Pricerite; New Page for Modern Life” branding campaign to supplement the highly successful but tactical “Everyday-Lowest-Price” advertisements.


halo
a member of CASH Group
時富投資集團成員
Halo E-Commerce Suite

Better SOLUTIONS

capitalising on the experiences and expertise accumulated within the CASH Group in research and development in high technology projects, the Halo Group focuses on providing the latest IT solutions to business to automate and enhance the efficiency of their business processes and profitability

To enrich our product mix, we continued to strengthen our product development function to consolidate efforts made in 2000. By increasing our level of direct sourcing, we improved the quality of our product range while maintaining competitive pricing for our products. We also continued to increase our supply channels and sources of new products by further expanding our logistics partner network and developing relationship with additional export agents overseas.

In 2001, Thomas and the Pricerite's directors focused on three key areas to build logistical strength. An electronic stock replenishment system at store level was implemented to help maintain stock sufficiency and shorten delivery lag. Secondly, more timely sales forecast and close monitoring of supplier performance increased fulfilment rate by over 10%. Thirdly, a redesign in our stock flow and further enhancements in our computerised warehouse system led to a remarkable doubling of our stock handling capacity. Simultaneously, we introduced night fills to reduce traffic time expended to send replenishment stock to our stores and to minimise interference to our customer's shopping experience during store operating hours.

We continued our efforts to enhance the quality of our customer service from our shop-floor staff to our enquiry hotline; from our in-store information support to our service counters. We implemented a performance appraisal system that is linked to sales performance and customer service quality of individual stores that was gauged against simple and clear guidelines for customer service as well as standard for service performance. To ensure zero down time in our POS system and prevent customer frustration at check out counters, we installed redundant standby facilities across our entire network. Pricerite's e-commerce channel continued to provide a convenient, 24-hour shopping channel to service a specific sector of young, technology savvy, professional clientele. We continued to offer online all major product categories carried by Pricerite's physical stores, and the number of different products available for ordering totalled over 3,000. Our registered membership increased almost by 50% to 22,000 during the year and recorded over a million page-views per month.

Halo Group

targeting

HK$30

billion software market in China & Hong Kong

Our people continued to enrich our shopping environment by revamping our stores with the design framework laid down by renowned international designer Rodney Fitch. We augmented the clarity of our product displays and increased the use of showcases and home-setting to better show “mix and match” effects as well as enhanced our store layout to facilitate better customer flow.

Halo Group:
New Technology, New Applications — New Prospects

We established the Halo Group in August 2001 to capitalise on the experience and expertise we accumulated through our research and development in high technology projects. It was created to capture the growing demand and opportunities for innovative information technology software business in Greater China. As one of our two technology based strategic investments, the Halo Group set out to provide value to users through the innovative use of the latest technologies to create better business and lifestyle solutions to enhance process efficiencies.

Ken Khoo led the development initiatives of Halo as their chief executive officer. Working closely with Dr Bob Chan and other IT as well as Internet industry veterans including Charles Mok and Frankie Hung, Ken created a solid foundation of people and infrastructure to tap the potential found in the Greater China Region.

Halo Group has three operating subsidiaries: Halo Solutions which is a bespoke system integration, web solution, as well as IT consultancy business; Halo Platform which is a modular platform development and sales business where generic e-business solutions are sourced or developed for rapid and cost effective implementation for small to medium sized businesses; and Halo China that spearheads Halo's business development in China by delivering IT solution consultancy services, and software platform development.

Ken and his team has already made great strides towards developing a viable high growth business. In a few short months, Halo Group has built a client portfolio with over 15 corporate clients including HSBC, Sony and the South China Morning Post.

Better
NETWORK

Transtech, the joint venture optical fibre manufacturing arm of the CASH Group, produces single mode fibre of the highest standard for telecommunications applications

Transtech Group:
Connections for the Future — Optical Fibre Joint Venture

Our other technology based strategic investment is Transtech Group, our joint venture optical fibre manufacturing arm. The initial objective was to develop a Hong Kong based manufacturing facility capable of producing single mode fibre of the highest standard for telecommunications applications at an estimated annual output of 1.25 million km.

Chief executive officer Dr Hartwig Schaper and his team worked hard to keep the development of this investment project on schedule. Ground breaking of the manufacturing facilities located at the Taipo Industrials Estate took place on 14 May 2001. With the construction of the plant completed and the majority of the equipment and machinery installed, Hartwig and his team are ready for production test run in the first half of 2002.

Central Management Group:
Our Foundation for Growth

In the rapidly changing business environment that we face, our key to success is vested in our efficacy to look forward into the future, and ability to take charge of our own destiny by taking timely and decisive actions. To this aim, as well as to complement our core businesses and to supplement their business initiatives with better support, the Central Management Group ("CMG") was created in 2001.

CMG was conceived and created to exercise corporate governance as well as to strengthen group management and control for greater efficiency. CMG was designed to facilitate the pooling of resources to eliminate the duplication of management and ultimately reduces the overall operating cost for each individual business. It allows the chief executive officers and their teams to focus on developing and growing their respective businesses organically. It also serves to tie our businesses together by identifying and coordinating mutually beneficial occasions for cross-selling and marketing to further enhance synergy values.

Transtech Group

1st

in Hong Kong

The Next Chapter

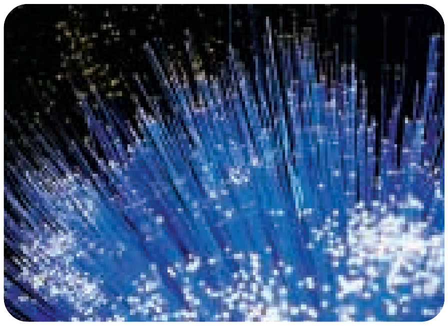
If I were asked to summarise where we are now into one single paragraph, Winston Churchill's words would come to mind: "do not let us speak of darker days: let us speak rather of sterner days. These are not dark days; these are great days." Our chief executive officers and their teams rallied to our call to arms and rose to the challenge admirably by fulfilling all the key imperatives that would put us in good stead this year and in the future.

For 2002, I see an increasingly likely turnaround in the US economy, which has started to show signs of a recovery. I expect the downward trend of the current business cycle to approach an end.

For CFSG, I expect to see substantial consolidation within the over crowded securities brokerage 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. Eugene and his team will continue to tighten cost control while continuing to extend and enhance the product offerings on a cautious and selective basis.

My fellow directors and I are certain that integrating the clicks-and-mortar financial services businesses created a significantly stronger whole. It brought together the rapid product development and deployment capabilities of the electronic business with the significantly larger sales infrastructure and other traditional financial services such as investment banking and institutional sales. It will enable CFSG to develop into a multi-faceted, multiple products financial services company that will thrive and grow in the new business environment and regulatory landscape.

Recent market research showed that Pricerite ranks first across several household and home furnishing product categories in Hong Kong. To maintain its leadership position, Pricerite will continue to extend its "mix and match" product range as well as its product quality improvement initiatives. Additional resources will be allocated to improve logistics



technology to better manage space and human resources allocation, work scheduling and inventory cycle. Thomas and his team will focus their efforts to attain the highest level of efficiency possible to create better pricing for our customers and improved margin for Pricerite. I am encouraged by Thomas and his management's ability to exceed their aggressive budgetary targets and am confident that Pricerite will take its place as the destination shop for home improvement items in Hong Kong.

Amidst turbulence elsewhere, China's economical development continues to grow from strength to strength. To fulfill our duty to continuously seek out and create growth for our 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 presence in China. While we 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.

From the drama that transpired when the technology boom went into consolidation, it is easy to hold a gloomy view on the prospect for Halo. I believe that the turmoil over the last two years is an unavoidable phenomenon after a decade of exceptional growth and development. However, the fundamentals still bode well for a recovery in demand for the categories of IT services and products Ken and the Halo management plan to develop. According to IDC, Internet penetration, a barometer for the penetration of IT solutions, in the US for home users by the end of 2000 was about 50%. And according to the US Department of Commerce, annual growth in use rate between 1998 and 2001 was 20%. Meanwhile, Internet penetration here in Hong Kong stood at only 34% while in urban areas in China, merely 7%. Confirming the vast demand-supply gap in China are the growth rates in Internet users and computer owners. According to the China Internet network Information Center, the first half of 2001 saw a 54% and 56% increase in computer owners and Internet users, respectively.

With all the requisite talents and products in place, small business base and this level of upside potential in China, I am quietly confident on the near to medium-term outlook for Halo. However, we are also aware that the market segments in which Halo operates are characterised by fierce competition, high growth, convergent technologies, short product lifecycles, and rapidly changing product demand. We shall therefore look to the many lessons learnt by others and ourselves in the past two years and tread cautiously as we move forward.

Similarly a reduction in global demand for optical fibre, the subsequent decline in optical fibre prices and international competitors reducing production capacity and operating costs over the last year would paint a dispiriting picture for Transtech. However, I believe that in our preparation and planning for this business, we built in several fundamental competitive advantages for Transtech that will ensure a good start. Firstly, the production facility in Taipo has surplus preform manufacturing capability. While the domestic preform production capacity has been growing steadily in China, it is still falling short of demand and has limited the development of this particular industry. In 1999, 60% of the preform used in China was imported. Secondly, although the demand for the more sophisticated Dense Wavelength Division Multiplexing (DWDM) is currently low in China, as China increases its teledensity, and the demand for Internet connectivity and data applications ignites, the telecommunications research agency IGI predicts that the demand for optical transmission equipment will grow at an annual rate of around 45%. It forecasted that the DWDM market for China will balloon from US$185 million in 2000 to US$1.5 billion by 2005. Although Transtech will not begin its production with DWDM products initially, DWDM production capability is designed into its manufacturing facilities, thus allowing it to switch to this high growth product when the appropriate moment arises.

Although there may still be a few more hurdles to overcome in the near future, I am confident that our darkest days are behind us. Thanks to our people's sterling efforts, our four key businesses weathered the worst economic environment possible and came out leaner but stronger. Each individual business is now focused and on track to deliver their respective objectives by leveraging on our solid financial foundation and income portfolios to develop and grow in the forthcoming business cycle.

As a conglomerate, we shall continue to seek new ventures and investment opportunities according to a well defined investment strategy. We aim to build CASH and our businesses into a cross-sector services conglomerate by developing the brand names and businesses under our management to be synonymous with the highest standard of customer service. We are certain we will embark on an exciting new journey of growth and development in 2002.

On this note, I end my review with a few words of acknowledgement and appreciation. Preparing an annual report is a time to review our past actions and from them the lessons we learnt. For me, it is also an opportunity for reflection and to give thanks. The first time I walked into this Company on 9 March 1998, it was a struggling single product local brokerage in the throes of corporate demise caused by the 1997 Asian financial crisis. Looking at where we are today and the difficulties we surpassed, one cannot help but appreciate our business partners and shareholders who stood by us during good times and bad. Last but by no means least is our people. Without them, we would not have endured, let alone transformed our Company into what it is today. I am certain that together, we will find our holy grail and become one of the top 100 companies in Asia.

Yours sincerely,

Bankee P Kwan
Chairman & CEO

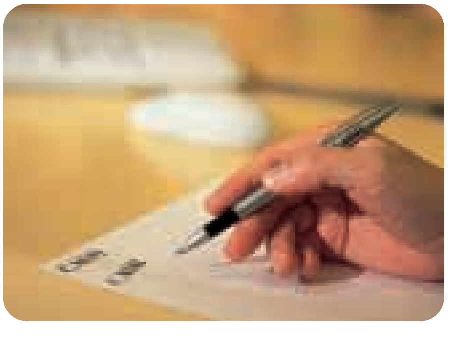
CHAIRMAN'S CHATROOM

Why did you restructure the group? Why did CASH acquire Pricerite? Are you considering exiting the securities industry after the completion of the merger?

I prefer to answer the last part of your question first. The answer is no. We have absolutely no intention to exit the securities industry. CFSG deputy chairman Eugene Law and his team did a remarkable job of rationalising the business operations and diversifying the business into a multi-faceted full service financial services company. Cash flow and revenue are both stabilised and product diversity will reinforce our stable position as well as provide attractive growth opportunities in the future.

Going back to our restructuring, it wasn't a spur of the moment reaction to the economic difficulties. It's been three years in the making. I knew from the first time I stepped foot into the company that we cannot remain solely in the securities industry indefinitely. You may recall, when I first took over the helm, the company was struggling to stay afloat thanks to the 1997 Asian financial crisis. The securities brokerage business is simply too cyclical in nature. We needed to broaden our revenue stream with something less susceptible to the periodic fluctuation in our markets.

Building a core business based around stable service businesses for our future is ideal. We are a Hong Kong company and that's the direction Hong Kong is going. Pricerite is actually a perfect fit. Like CASH, it's a household name here. We could swiftly deploy our forte in managing financial, human and brand capital and quickly make a difference. The encouraging results brought in by Pricerite CEO Thomas Li and his team in the short time they took over proves my point.



Then please explain how does Transtech or Halo fit into the overall picture?

First of all, let me stress that although each of our CEOs focuses solely on their respective business objectives, it doesn't matter which business we're in now, or in the future, we're bound by a common belief that we'll only succeed if we serve our customers well. It really doesn't matter who the customer is or what we are delivering. CASH Group companies shall always apply this belief when we do business.

Secondly, we are in a knowledge-based economy. It's also a chosen path for Hong Kong. I know all the downside with technology investments: fierce competition, short lifecycles, and rapidly changing product demand. But they also have a very persuasive upside: high growth potential. Our service based core businesses can provide stable funding to nurture these strategic investments. In return, these investments have the potential of high returns at levels that frankly, our more mature service based businesses may struggle to deliver. In this respect, they fit well together.

Thirdly, I'm not saying it'll be easy. There's no easy and lasting business. Management must always have the courage and resolve to tackle difficult business situations and turn them into vital possibilities for our shareholders. I'm not someone who would shy away from a challenge. The same can be said for my colleagues here as well.

Then why did you make all the provisions?

Well, when it comes to technology it's always a bit like a child learning to walk. No matter how many doting parents and grandparents you have running after you, you'll have to take a few knocks before you master the skill. It doesn't matter whether you've invested in technology as a user or an investor; you're bound to stumble every so often.

We made a few investments in technology businesses in Silicon Valley and Hong Kong and China. When the technology boom halted, they encountered hard times much like the rest of the sector. As I mentioned, technology businesses are characterised by fierce competition and extremely short product lifecycles. So out of prudence, we decided to make sufficient provisions for these investments.

I must stress this though; the technologies we invested in are still viable. These are still ongoing businesses. What's more important, we haven't given up on them. So don't be surprised if we write back some of the provisions in the future.

So what does the future holds for CASH and its businesses?

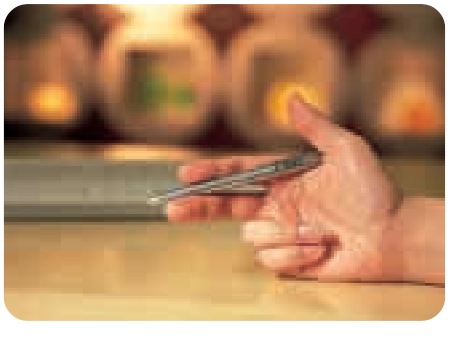
I'm certain that we've put the worst behind us. Towards the end of 2000, I threw down the gauntlet. Our CEOs took up the challenge admirably and completed all the imperatives that transformed our company into the multi-faceted service conglomerate we have now. Now, as their businesses become leaner and stronger, we become leaner and stronger.

Take a look at our financial capital. Thanks to our determined rationalisation efforts, we managed to preserve capital for CASH, CFSG and Pricerite. We now enjoy strong balance sheets with low borrowings.

Next, look at our brand equities. 2001 saw intense competition for CFSG and Pricerite, but yet we managed to grow our client base with limited advertising and promotion expenditure. Our constant efforts to enhance our brand capital via fulfilling our brand promise will ensure that both these brands will be enduring and persuasive to the Hong Kong consumers.

As to our human capital, Churchill's words really described our people's strength in character quite well in this address in 1941. He said: "do not let us speak of darker days: let us speak rather of sterner days. These are not dark day; these are great days..." Having witnessed the resolve and resourcefulness demonstrated by our people last year, I have every confidence that our businesses are well capitalised here.

With all our core assets in place, we are well prepared to capture any opportunities as the current business cycle ebbs and the next one rises.



DIRECTORS' & ADVISORS' PROFILE

Executive Directors

Bankee Pak-hoo KWAN *Chairman & CEO, 42 MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI*

Mr Bankee Kwan joined the Board on 9 March 1998. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group, he served as the managing director of a number of Hong Kong listed companies and held senior executive positions in several leading international banks in Hong Kong. Mr Kwan is a firm believer of education and public affairs and actively participates in philanthropic activities in these areas. He is a John Harvard fellow of Harvard University, USA, a member of the Harvard University Asia Center Advisory Committee, USA, a trustee of New Asia College of The Chinese University of Hong Kong, and an honorary member of the Board of Trustees of Nanjing University, PRC. He is also an honorary advisor to LiPACE of The Open University of Hong Kong and Academy of Oriental Studies of Beijing University, PRC, and an advisory professor of Nanjing University, PRC. Mr Kwan is the substantial shareholder of the Company and the chairman of CFSG and Pricerite.

Bernard Ping-wah LAW *CFO, 43 MBA, FCCA, FHKSA, MHKSI*

Mr Bernard Law joined the Board on 9 March 1998. Mr Law has extensive experience in financial management and accountancy. Before joining the Group, he served as finance director and group financial controller for several Hong Kong listed companies and corporations. Mr Law is also an executive director of CFSG and Pricerite.

Joan Elmond Oi-kuen KWOK *Executive Director, 33 MBA, BA, ACIS*

Ms Joan Kwok joined the Group on 20 March 1998 and was appointed to the Board on 3 October 2000. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group, she served as the company secretary of several Hong Kong listed companies and held senior executive positions in the fields of corporate development and general management. Ms Kwok is also the Company Secretary of the Company and an executive director and the company secretary of CFSG and Pricerite.

Eugene Ka-kin LAW *Executive Director, 41 BA, MHKSI*

Mr Eugene Law joined the Group on 17 December 1998 and was appointed to the Board on 12 June 2000. Mr Law has extensive experience in stockbroking, financial research, investment advisory, strategic planning and business management. Before joining the Group, he held senior management positions in a number of regional stockbroking firms. Mr Law is also the deputy chairman of CFSG.

Thomas Yuen-cheuk LI *Executive Director, 40 MBA, BBA, MHKSI*

Mr Thomas Li joined the Board on 6 May 1998. Mr Li has extensive experience in marketing and general management. Before joining the Group, he held senior executive positions of several leading international banks in Hong Kong and was responsible for business and marketing development, and corporate management. Mr Li is also the CEO of Pricerite.

Ken-wee KHOO *Executive Director, 37 MA, BSc, MHKSI*

Mr Ken Khoo joined the Board on 9 March 1998. Mr Khoo has extensive experience in corporate finance and investment banking. Before joining the Group, he served as the regional head of the investment banking division of a prominent financial house in Hong Kong and held senior executive position in a renowned local financial group. Mr Khoo is also the CEO of the technology division of the Group and an executive director of CFSG and Pricerite.

Independent Non-executive Directors

Chuk-yan WONG *Independent Non-executive Director, 40 MBA, BBA, CFA, CGA*

Mr Wong joined the Independent Board on 3 June 1998. Mr Wong has extensive financial experience in the global financial markets and is a portfolio manager of a large renowned investment counsel in Toronto, Canada and is responsible for the company's equity investments in the Asia Pacific region.

Hak-sin CHAN *Independent Non-executive Director, 40 PhD, MBA, BBA*

Dr Chan joined the Independent Board on 25 October 2000. Dr Chan has extensive financial experience in the academia in the USA as professor, researcher and consultant in the fields of corporate finance and international marketing and is a faculty member of the Department of Marketing at The Chinese University of Hong Kong. He is also a member of the Audit Committee of the Company.

Johnny Ka-kui LEUNG *Independent Non-executive Director, 44 LL.B*

Mr Johnny Leung joined the Independent Board on 25 October 2000. Mr Leung has extensive financial experience in the legal field and is the managing partner of a legal firm in Hong Kong. He is also a member of the Audit Committee of the Company.

Advisory Board

Bob Yau-ching CHAN *Advisor, 39 PhD, MBA, BBA, CFA, MHKSI*

Dr Bob Chan is an expert in corporate development and financial management of high-growth companies. Currently Dr Chan serves on several boards in the US and in Hong Kong covering software, optical fibre, communication equipment and pharmaceuticals. Dr Chan was a finance professor and has been an active researcher and consultant. He had served as a consultant for the United Nations, Asian Development Bank, Pacific Economic Cooperation Committee and numerous local and international financial institutions. Dr Chan is also a member of a number of academic and professional bodies, including American Finance Association, Association for Investment Management and Research, Optical Society of America, and Institute of Electrical and Electronics Engineers.

Raymond Chiu-ping CHIANG *Honorary Advisor, 51 PhD, BBA*

Professor Raymond Chiang has extensive academic experience in the finance field and is the chair professor of Financial Management and the dean of the Faculty of Business and Information System of The Hong Kong Polytechnic University. Professor Chiang is also a director of the Hong Kong Securities Institute.

Shu-sheng JIANG *Honorary Advisor, 62 BBA*

Professor Jiang is the recipient of many research awards in physics and honours in science and technology and is the president of Nanjing University, PRC. Professor Jiang is also a member of The Standing Committee of National People's Congress.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) financial services provided via CFSG including online and traditional brokerage and trading of securities, futures, commodities and options, margin financing, corporate finance, and online and offline distribution of funds and insurance products, (b) retailing of furniture and household items provided via Pricerite, (c) technology development projects, and (d) other investment holding.

RESULTS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 45 of this Annual Report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2001 is set out on page 90 of this Annual Report.

PROPERTY AND EQUIPMENT

Details of movements during the year in the property and equipment of the Company and the Group are set out in note 16 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 17 to the financial statements.

SHARE CAPITAL AND WARRANTS

Details of movements in the share capital and warrants of the Company during the year are set out in note 30 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

As at 31 December 2001, the Company had no reserves available for distribution to shareholders and the Company's share premium available for distribution in the form of fully paid bonus shares was HK$291,997,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONNECTED TRANSACTIONS

The following connected transactions of the Company were entered into during the year:

1. **Acquisition of majority shareholding interests in Pricerite**

   On 9 February 2001, the Company entered into (i) an agreement with Miliway Resources Limited ("Miliway Agreement"); and (ii) an agreement with Joyplace Inc ("Joyplace Agreement") pursuant to which the Company agreed to purchase or procure the purchase of (i) 320,000,000 shares in Pricerite; and (ii) 115,132,000 shares in Pricerite (altogether "Sale Shares") under the Miliway Agreement and the Joyplace Agreement respectively at a consideration of HK$0.35 per share. The consideration for the Sale Shares was settled by the issue and allotment of a total of 507,654,000 new shares in the Company at the issue price of HK$0.30 each. The agreements constituted connected transactions of the Company as Pricerite is a company to which Mr Kwan Pak Hoo Bankee, a Director of the Company, is the substantial shareholder. The Miliway Agreement and the Joyplace Agreement also constituted share transactions of the Company under the Listing Rules. The details of the transactions were set out in the Company's circular dated 5 March 2001. The transactions were approved by shareholders in a special general meeting held on 22 March 2001 and completed on 26 March 2001. An unconditional general offer for, inter alia, all shares in Pricerite at an offer price of HK$0.35 per share (to be satisfied by cash or shares in CASH) followed and was closed on 3 May 2001. As at the completion of the general offer, the Group had acquired further 58,012,099 shares in Pricerite which was satisfied by a total of 164,605 shares in the Company and a cash consideration (before expenses) of approximately HK$20,255,000.

2. **Disposal of financial services business to CFSG**

   On 28 June 2001, Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of the Company, entered into an agreement with CFSG, whereby CIGL agreed to transfer the interest (being the entire equity shareholding interest in Celestial Financial Services Group Limited ("FSG") and part or all of the interest-free shareholder's loan outstanding from FSG to CIGL which should have an unaudited net book value of HK$350,000,000 in aggregate as at 30 April 2001) in FSG which operated the traditional financial services business, to CFSG at a consideration of HK$438,000,000. The consideration was settled by the issue of a redeemable convertible note by CFSG with principal amount of HK$438,000,000. The convertible note carries interest of 2% per annum and entitles CIGL to convert part or all of the outstanding principal amount of the convertible note into shares in CFSG at HK$0.15 per share. The convertible note is also redeemable by CFSG and shall mature on 31 December 2006 by when all outstanding principal amount and interest shall be repayable by CFSG to CIGL. The transaction was a connected transaction of the Company as CFSG is a non-wholly owned subsidiary of the Company. The transaction also constituted a major transaction of the Company. The details of the transaction were set out in the Company's circular dated 27 July 2001. The transaction was approved by shareholders in a special general meeting held on 31 August 2001 and completed on 28 September 2001. After the completion of the merger of the online and traditional financial services business, all the financial services business of the Group has been carried out via CFSG.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's turnover attributable to the five largest customers accounted for less than 30% of the Group's total turnover.

The Group's purchase attributable to the five largest suppliers accounted for less than 30% of the Group's total purchase.

DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee
Law Ping Wah Bernard
Kwok Oi Kuen Joan Elmond
Law Ka Kin Eugene
Li Yuen Cheuk Thomas
Khoo Ken Wee

Independent Non-executive Directors:

Wong Chuk Yan
Chan Hak Sin
Leung Ka Kui Johnny

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws and as agreed among the Directors, Mr Khoo Ken Wee and Mr Law Ping Wah Bernard shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 42 to the financial statements, no Director had a material interest in any significant contract to the business of the Group to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

PENSION SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of Mandatory Provident Fund Scheme Ordinance for all its employees and terminated the defined contribution pension scheme ("Old Scheme") on 1 December 2000. In respect of those employees who leave the Old Scheme before the employer's voluntary contributions (represents contributions in excess of the mandatory MPF requirements plus all the assets transferred from the Old Scheme) become fully vested, the relevant portion of the voluntary contributions forfeited will be reverted to the Group to offset future employer's contributions. Contribution are made based on a percentage of the employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employer's pension cost charged to the income statement and the forfeited voluntary contributions credited to the income statement amounted to HK$9,278,000 and HK$515,000 respectively for the year ended 31 December 2001.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2001, the Directors' interests in and rights to subscribe for the ordinary shares of HK$0.10 each in the Company and shares in 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 the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

1. Interest in shares or debentures

A. The Company

(a) Interests in ordinary shares

Name	Number of shares beneficially held Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	–	3,200,225,537*	50.05
Law Ping Wah Bernard	71,156,000	–	1.11
Kwok Oi Kuen Joan Elmond	44,000,000	–	0.69
Law Ka Kin Eugene	2,500,000	–	0.04
Li Yuen Cheuk Thomas	50,037,500	–	0.78
Khoo Ken Wee	170,000,000	–	2.66

* *The shares are held as to 2,532,017,154 shares by Cash Guardian Limited ("Cash Guardian") and as to 668,208,383 shares by Suffold Resources Limited ("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.*

(b) Interests in warrants

Warrants carrying rights to subscribe for shares of HK$0.10 each in the Company 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 beneficially held Personal (HK$)	Other interest (HK$)
Kwan Pak Hoo Bankee	–	159,976,285.30*
Law Ping Wah Bernard	3,526,238.30	–
Kwok Oi Kuen Joan Elmond	260,000.00	–
Law Ka Kin Eugene	162,500.00	–
Li Yuen Cheuk Thomas	1,952,437.50	–
Khoo Ken Wee	1,950,000.00	–

* *The amount of warrants is 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.*

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

(a) *Interest in ordinary shares in CFSG*

Name	Number of shares beneficially held Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	–	1,086,619,945*	53.92
Law Ping Wah Bernard	5,424,982	–	0.27
Kwok Oi Kuen Joan Elmond	400,000	–	0.02
Law Ka Kin Eugene	250,000	–	0.01
Li Yuen Cheuk Thomas	3,003,750	–	0.15
Khoo Ken Wee	3,000,000	–	0.15

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

(b) *Interest in ordinary shares in Pricerite*

Name	Number of shares beneficially held Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	1,374,432,297*	66.18

* *The shares were held by CIGL, a wholly-owned subsidiary of the Company. Mr Kwan is deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.*

Save as disclosed above, as at 31 December 2001, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. Rights to acquire shares or debentures

A. Rights to acquire shares in the Company

Pursuant to the share option scheme of the Company, the Directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in the Company. Further details of the share option scheme are set out in the "Share Option Scheme" below.

Details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted to certain Directors were as follows:

		Number of options					
Name	Date of grant	outstanding as at 1 January 2001	lapsed during the year	outstanding as at 31 December 2001	Exercise period	Exercise price per share (HK$)	*notes*
Kwan Pak Hoo Bankee	4/10/1999	40,000,000	–	40,000,000	8/4/2000 – 7/4/2002	0.59	
Law Ping Wah Bernard	4/10/1999	40,000,000	–	40,000,000	8/4/2000 – 7/4/2002	0.59	
Kwok Oi Kuen Joan Elmond	4/10/1999	5,750,000	–	5,750,000	8/4/2000 – 7/4/2002	0.59	*(1)*
	6/11/2000	15,000,000	–	15,000,000	16/5/2001 – 15/5/2003	0.27	*(2)*
Law Ka Kin Eugene	13/5/1999	2,500,000	(2,500,000)	–	13/5/2000 – 12/11/2001	0.23	
	4/10/1999	3,000,000	–	3,000,000	8/4/2000 – 7/4/2002	0.59	*(1)*
	1/6/2000	10,000,000	–	10,000,000	1/12/2000 – 30/11/2002	0.35	*(2)*
	6/11/2000	10,000,000	–	10,000,000	16/5/2001 – 15/5/2003	0.27	*(2)*
Li Yuen Cheuk Thomas	4/10/1999	20,000,000	–	20,000,000	8/4/2000 – 7/4/2002	0.59	
Khoo Ken Wee	4/10/1999	20,000,000	–	20,000,000	8/4/2000 – 7/4/2002	0.59	
		166,250,000	(2,500,000)	163,750,000			

notes:

(1) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.

(2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

(3) The lapsed options were due to the expiry.

(4) No options were granted to the Directors during the year.

(5) No options were exercised or cancelled during the year.

(6) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

B. *Rights to acquire shares in CFSG*

Pursuant to the share option scheme of CFSG, its directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in CFSG.

Details of movements in the share options to subscribe for shares of HK$0.10 each in CFSG granted to certain Directors of the Company were as follows:

Name	Date of grant	Number of options outstanding as at 1 January 2001	granted during the year	outstanding as at 31 December 2001	Exercise period	Exercise price per share (HK$)
Law Ka Kin Eugene	26/3/2001	–	25,000,000	25,000,000	1/10/2001 – 30/9/2004	0.11
Law Ping Wah Bernard	26/3/2001	–	20,000,000	20,000,000	1/10/2001 – 30/9/2004	0.11
		–	45,000,000	45,000,000		

notes:

(1) *The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.*

(2) *The closing price of the share immediately before the date of grant of the options was HK$0.109.*

(3) *No options were exercised, lapsed or cancelled during the year.*

(4) *The fair value of the options granted by CFSG to the Directors during the year totalled approximately HK$531,000. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Scheme" below.*

C. *Rights to acquire shares in Pricerite*

Pursuant to the share option scheme of Pricerite, its directors may, at their discretion, invite participants to take up options at a total consideration of HK$1 to subscribe for ordinary shares in Pricerite.

Details of movements in the share options to subscribe for shares of HK$0.10 each in Pricerite granted to certain Directors of the Company were as follows:

Name	Date of grant	Number of options outstanding as at 1 January 2001	granted during the year	adjusted due to rights issue	outstanding as at 31 December 2001	Exercise period	Exercise price per share (adjusted after rights issue) (HK$)	*notes*
Kwan Pak Hoo Bankee	12/6/2000	10,000,000	–	8,000,000	18,000,000	13/6/2000 – 12/6/2002	0.32	
Law Ping Wah Bernard	12/6/2001	–	4,000,000	3,200,000	7,200,000	16/6/2001 – 15/6/2003	0.21	*(1)*
Li Yuen Cheuk Thomas	12/6/2001	–	8,000,000	6,400,000	14,400,000	16/6/2001 – 15/6/2003	0.21	*(1)*
Khoo Ken Wee	12/6/2001	–	4,000,000	3,200,000	7,200,000	16/6/2001 – 15/6/2003	0.21	*(1)*
		10,000,000	16,000,000	20,800,000	46,800,000			

notes:

(1) *The closing price of the share immediately before the date of grant was HK$0.77.*

(2) *No option was exercised, lapsed or cancelled during the year.*

(3) The fair value of the options granted by Pricerite to the Directors during the year totalled approximately HK$4,053,000. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading "Share Option Scheme" below.

Save as disclosed above, at no time during the year was the Company, any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or had exercised any such rights.

SHARE OPTION SCHEME

The Company

The share option scheme ("Scheme") of the Company during the year was adopted by the Company on 29 March 1994. The major terms of the Scheme are summarised as follows:

1. The purpose of the Scheme was to provide incentives to the participants.

2. The participants of the Scheme included any employee or director of any member of the Group.

3. The maximum number of shares in respect of which options might be granted under the Scheme must not exceed 10% of the issued share capital of the Company from time to time and should be of maximum of 639,435,467 shares as at end of the year under review.

4. The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Scheme, must not exceed 25% of the maximum shares issuable under the Scheme from time to time.

5. A grantee was required to hold an option for a minimum of 6 months before the option became exercisable.

6. The exercise period of an option granted under the Scheme must not exceed a period of 3 years commencing on the expiry of the abovementioned minimum holding period.

7. The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1.00 from the grantee to the Company.

8. The exercise price of an option must be the higher of:

   (i) a price not less than 80% of the average closing price of the share for the 5 trading days immediately preceding the grant; and

   (ii) the nominal value of the share.

9. The life of the Scheme was originally effective for 10 years until 28 March 2004. On 19 February 2002, the Scheme was resolved by the shareholders of the Company to have been cancelled thereon.

Details of movements in the share options to subscribe for shares of HK$0.10 each in the Company granted under the Scheme during the year are as follows:

				Number of options			
Date of grant	Exercise price per share (HK$)	Exercise period	*notes*	outstanding as at 1 January 2001	granted during the year	lapsed during the year	outstanding as at 31 December 2001
Directors							
13/5/1999	0.23	13/5/2000 – 12/11/2001	*(1)*	2,500,000	–	(2,500,000)	–
4/10/1999	0.59	8/4/2000 – 7/4/2002	*(1)*	128,750,000	–	–	128,750,000
1/6/2000	0.35	1/12/2000 – 30/11/2002	*(1)*	10,000,000	–	–	10,000,000
6/11/2000	0.27	16/5/2001 – 15/5/2003	*(1)*	25,000,000	–	–	25,000,000
				166,250,000	–	(2,500,000)	163,750,000
Employees							
13/5/1999	0.23	13/11/2000 – 12/5/2002		750,000	–	–	750,000
4/10/1999	0.59	8/4/2000 – 7/4/2002	*(2)*	28,490,000	–	(4,680,000)	23,810,000
15/11/1999	0.61	1/11/2000 – 31/10/2002	*(4)*	10,000,000	–	–	10,000,000
10/1/2000	0.80	10/1/2001 – 9/1/2003		10,000,000	–	–	10,000,000
10/1/2000	0.80	11/7/2000 – 10/7/2002	*(2)*	500,000	–	–	500,000
1/6/2000	0.35	1/12/2000 – 30/11/2002	*(3)*	45,000,000	–	–	45,000,000
28/7/2000	0.49	1/2/2001 – 31/1/2003	*(2)*	11,000,000	–	(10,000,000)	1,000,000
6/11/2000	0.27	16/5/2001 – 15/5/2003	*(3)*	25,000,000	–	–	25,000,000
6/11/2000	0.27	16/5/2001 – 15/5/2003	*(2)*	6,500,000	–	(500,000)	6,000,000
2/2/2001	0.24	16/8/2001 – 15/8/2003	*(2) & (5)*	–	6,000,000	–	6,000,000
31/8/2001	0.13	1/3/2002 – 28/2/2004	*(3) & (6)*	–	90,000,000	–	90,000,000
				137,240,000	96,000,000	(15,180,000)	218,060,000
				303,490,000	96,000,000	(17,680,000)	381,810,000

notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities" under the sub-heading "Rights to acquire shares in the Company".

(2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 6 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 18 months from the commencement of the exercise period.

(3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.

(4) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

(5) The closing price of the share immediately before the date of grant was HK$0.295.

(6) The closing price of the share immediately before the date of grant was HK$0.152.

(7) The lapsed options were due to expiry or cessation of employment of participants with the Group.

(8) No option was exercised or cancelled during the year.

(9) *The fair value of the options granted during the year totalled approximately HK$7,659,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:*

(i) *an expected volatility of 10%;*

(ii) *no annual dividends; and*

(iii) *the estimated expected life of the options granted during the year is 2.5 years. The corresponding 2.5 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 4.835%.*

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

(10) *Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessary provide a reliable singly measure of the fair value of the share options.*

(11) *No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the year.*

During the year under review, the Stock Exchange had revised the statutory requirements under the Listing Rules in relation to the share option scheme of a listed issuer. Accordingly, subsequent to the end of the year under review, the Company adopted a new share option scheme to replace the Scheme on 19 February 2002 to comply with the current statutory requirements. All the options having been granted under the Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Scheme. No option under the Scheme had been or will be granted subsequent to the end of the year.

The subsidiaries

CFSG and Pricerite had also adopted their respective share option schemes. Details of movements in the respective share options during the year are as follows:

1. CFSG

				Number of options			
Date of grant	Exercise price per share (HK$)	Exercise period	*notes*	outstanding as at 1 January 2001	granted during the year	lapsed during the year	outstanding as at 31 December 2001
Directors							
26/3/2001	0.11	1/10/2001 – 30/9/2004	*(1)*	–	45,000,000	–	45,000,000
				–	45,000,000	–	45,000,000
Employees							
26/3/2001	0.11	1/10/2001 – 30/9/2004	*(2) & (3)*	–	55,000,000	–	55,000,000
27/3/2001	0.11	1/10/2001 – 30/9/2004	*(2) & (4)*	–	26,300,000	(2,200,000)	24,100,000
				–	81,300,000	(2,200,000)	79,100,000
				–	126,300,000	(2,200,000)	124,100,000

notes:

(1) *Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities" under the sub-heading "Rights to acquire shares in CFSG".*

(2) *The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.*

(3) *The closing price of the share immediately before the date of grant was HK$0.109.*

(4) *The closing price of the share immediately before the date of grant was HK$0.105.*

(5) *The lapsed options were due to cessation of employment of participants with the Group.*

(6) *No option was exercised or cancelled during the year.*

(7) *The fair value of the options granted during the year totalled approximately HK$1,385,140. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:*

(i) *an expected volatility of 2.1%;*

(ii) *no annual dividends; and*

(iii) *the estimated expected life of the options granted during the year is 3.5 years. The corresponding 3 years Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 3.52%.*

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

(8) *Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.*

(9) *No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the year.*

2. *Pricerite*

				Number of options					
Date of grant	Exercise price per share (adjusted after rights issue) (HK$)	Exercise period	*notes*	outstanding as at 1 January 2001	granted during the year	exercised during the year	lapsed during the year	adjustment due to rights issue	outstanding as at 31 December 2001
Directors									
12/6/2000	0.32	13/6/2000 – 12/6/2002	*(1)*	10,000,000	–	–	–	8,000,000	18,000,000
12/6/2001	0.21	16/6/2001 – 15/6/2003	*(1)*	–	16,000,000	–	–	12,800,000	28,800,000
				10,000,000	16,000,000	–	–	20,800,000	46,800,000
Employees									
12/6/2000	0.32	13/6/2000 – 12/6/2003	*(2)*	4,495,000	–	(590,000)	(1,608,000)	2,140,000	4,437,000
12/6/2000	0.32	13/6/2000 – 12/6/2002	*(3)*	4,000,000	–	–	(2,000,000)	1,600,000	3,600,000
12/6/2000	0.32	13/6/2000 – 12/6/2002		10,000,000	–	–	(10,000,000)	–	–
				18,495,000	–	(590,000)	(13,608,000)	3,740,000	8,037,000
				28,495,000	16,000,000	(590,000)	(13,608,000)	24,540,000	54,837,000

notes:

(1) *Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities" under the sub-heading "Rights to acquire shares in Pricerite".*

(2) *The options are vested in 3 tranches as to (i) 1/3 exercisable from the commencement of the exercise period; (ii) 1/3 exercisable from the expiry of 12 months from the commencement of the exercise period; and (iii) 1/3 exercisable from the expiry of 24 months from the commencement of the exercise period.*

(3) *The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 6 months from the commencement of the exercise period.*

(4) *The closing price of the share immediately before the date of grant was HK$0.77.*

(5) *The weighted average closing price of the share immediately before the date of exercises was HK$0.79.*

(6) The lapsed options were due to cessation of employment of participants with the Group.

(7) No option was cancelled during the period.

(8) The fair value of the options granted during the period totalled approximately HK$4,053,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

(i) an expected volatility of 9.3%;

(ii) no annual dividends; and

(iii) the estimated expected life of the options granted during the year is 2 years. The corresponding 2 year Hong Kong Exchange Fund Notes interest rate at the date of the options were granted was 4.28%.

The Black Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price.

(9) Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the existing model does not necessarily provide a reliable singly measure of the fair value of the share options.

(10) No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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	Number of shares	Shareholding %
Kwan Pak Hoo Bankee *(note)*	3,200,225,537	50.05
Jeffnet Inc *(note)*	3,200,225,537	50.05
Cash Guardian	2,532,017,154	39.60
Suffold	668,208,383	10.45

note: The shares are held as to 2,532,017,154 shares by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc ("Jeffnet")) and as to 668,208,383 shares by Suffold (which is 100% beneficially owned by Jeffnet). Jeffnet 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 and Jeffnet are deemed to be interested in the aggregate shares held by Cash Guardian and Suffold.

Save as disclosed above, at 31 December 2001, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2001, the Company purchased shares of HK$0.10 each in the Company on the Stock Exchange as follows:

2001 Month	Number of shares purchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate price paid (before expenses) (HK$)
January	7,782,000	0.240	0.192	1,720,178
March	948,000	0.234	0.220	213,580
April	5,804,000	0.202	0.172	1,075,308
May	3,164,000	0.203	0.193	629,782
July	3,990,000	0.203	0.193	795,100
August	6,248,000	0.198	0.179	1,165,424
September	8,166,000	0.113	0.083	795,984
October	1,260,000	0.092	0.072	108,920
Total	37,362,000			6,504,276

The above shares were cancelled upon repurchase.

The reason for making the purchases was to enhance the net value per share in the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2001.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 43 to the financial statements.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company had complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this Annual Report save for the Independent Non-executive Directors of the Company are not appointed for specific terms, but are subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Audit Committee of the Company was established on 28 June 1999 and was as at 31 December 2001 comprising Dr Chan Hak Sin and Mr Leung Ka Kui Johnny, both being Independent Non-executive Directors.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. During the year, the Audit Committee had held two meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

AUDITORS

There was change in auditors of the Company in the preceding three years.

The financial statements of the Company for the years ended 31 December 2001 and 31 December 2000 were audited by Messrs Deloitte Touche Tohmatsu while that for the year ended 31 December 1999 was by Messrs Ernst & Young. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 15 March 2002

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 45 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 15 March 2002

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	notes	2001 HK$'000	2000 HK$'000 (restated)
Turnover	4	**973,560**	472,836
Other revenue	6	**2,351**	195,224
Changes in inventories of finished goods		**(467,741)**	–
Salaries, allowances and commission	7	**(239,791)**	(206,127)
Depreciation and amortisation		**(54,725)**	(20,596)
Other operating, administrative and selling expenses		**(373,994)**	(293,967)
Loss on discontinued operations	8	**(43,659)**	–
Finance costs	9	**(10,735)**	(13,102)
Share of losses of associates		**(4,758)**	(57,994)
Loss on disposal of an associate		**(25,457)**	–
Impairment loss on investments		**(228,900)**	(15,600)
Impairment loss on property and equipment		**(7,527)**	–
Impairment loss on goodwill held in reserves		**–**	(438,118)
Loss before taxation	12	**(481,376)**	(377,444)
Taxation credit	13	**152**	1,428
Loss before minority interests		**(481,224)**	(376,016)
Minority interests		**27,188**	39,665
Net loss attributable to shareholders		**(454,036)**	(336,351)
Distribution	14	**–**	87,042
Loss per share	15		
– Basic		**(7.2) cents**	(6.6) cents
– Diluted		**(7.2) cents**	(6.6) cents

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2001

	notes	2001 HK$'000	2000 HK$'000
Non-current assets			
Property and equipment	16	**236,453**	119,613
Interests in associates	18	**164,466**	61,155
Investments	19	**57,000**	175,900
Goodwill	20	**88,604**	–
Intangible assets	21	**14,582**	16,412
Other assets	22	**54,067**	51,457
Loans receivable	23	**42,646**	114,252
		657,818	538,789
Current assets			
Inventories	24	**53,983**	–
Accounts receivable	25	**290,872**	318,630
Loans receivable	23	**24,470**	72,000
Prepayments, deposits and other receivables		**88,769**	35,701
Investments	19	**33,502**	30,245
Taxation recoverable		**1,023**	2,538
Pledged bank deposits	26	**43,745**	28,137
Bank balances – trust and segregated accounts		**362,634**	294,491
Bank balances (general) and cash		**355,320**	597,887
		1,254,318	1,379,629
Current liabilities			
Accounts payable	27	**548,046**	374,716
Accrued liabilities and other payables		**106,212**	103,221
Taxation		**2,071**	2,164
Obligations under finance leases – amount due within one year	28	**1,988**	2,146
Bank borrowings	29	**155,589**	121,362
		813,906	603,609
Net current assets		**440,412**	776,020
		1,098,230	1,314,809

	notes	**2001 HK$'000**	2000 HK$'000
Capital and reserves			
Share capital	30	**639,435**	592,390
Reserves	31	**263,136**	600,850
		902,571	1,193,240
Minority interests		**194,910**	119,942
Non-current liabilities			
Obligations under finance leases – amount due after one year	28	**749**	1,627
		1,098,230	1,314,809

The financial statements on pages 45 to 89 were approved and authorised for issue by the board of Directors on 15 March 2002 and are signed on its behalf by:

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

BALANCE SHEET

AT 31 DECEMBER 2001

	notes	2001 HK$'000	2000 HK$'000
Non-current assets			
Property and equipment	16	**5,750**	16,083
Investments in subsidiaries	17	**–**	–
Other assets	22	**–**	39,000
		5,750	55,083
Current assets			
Prepayments, deposits and other receivables		**2,623**	7,440
Amounts due from subsidiaries		**895,578**	1,347,479
Bank balances and cash		**277**	2,598
		898,478	1,357,517
Current liabilities			
Accrued liabilities and other payables		**340**	7,663
Taxation		**1,793**	1,793
		2,133	9,456
Net current assets		**896,345**	1,348,061
		902,095	1,403,144
Capital and reserves			
Share capital	30	**639,435**	592,390
Reserves	31	**262,660**	810,754
		902,095	1,403,144

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 **HK$'000**	2000 HK$'000
Net loss for the year and total recognised losses	**(454,036)**	(336,351)
Prior period adjustments arising from the effect of change in accounting policies at 1 January 2001 (note 2)		
– Decrease in retained profits		(438,118)
– Increase in contributed surplus		438,118
		–

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	notes	2001 HK$'000	2000 HK$'000
Net cash outflow from operating activities	33	**(82,846)**	(22,811)
Returns on investments and servicing of finance			
Interest paid on bank borrowings		**(10,426)**	(12,633)
Interest paid on obligations under finance leases		**(309)**	(469)
Net cash outflow from returns on investments and servicing of finance		**(10,735)**	(13,102)
Taxation			
Hong Kong Profits Tax refunded		**1,699**	816
Investing activities			
Purchase of property and equipment		**(50,818)**	(48,150)
Purchase of investments		**(76,872)**	(225,529)
Purchase of trading rights in exchanges		**–**	(11,061)
Purchase of club memberships		**(710)**	(3,598)
(Increase) Decrease in statutory and other deposits		**(1,900)**	4,465
Proceeds from disposal of an associate		**3,800**	–
Proceeds from deemed disposal of investments in subsidiaries		**84,836**	219,425
Proceeds from disposal of investments		**–**	87,500
Distribution of shares in CFSG	34	**–**	(336,253)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	35	**19,600**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	36	**(27,215)**	42,819
Acquisition of associates		**–**	(53,285)
Loan to an associate		**(118,818)**	(45,648)
Net cash outflow from investing activities		**(168,097)**	(369,315)
Net cash outflow before financing		**(259,979)**	(404,412)
Financing	37		
(Increase) Decrease in pledged bank deposits		**(7,108)**	1,863
Repayments of obligations under finance leases		**(2,256)**	(1,926)
Share issue expenses		**(816)**	(6,367)
Repurchase of shares		**(6,670)**	–
Proceeds from issue of new shares		**–**	143,700
Proceeds from issue of warrants		**–**	59,573
Share options exercised		**–**	5,213
Warrants exercised		**–**	315
Net cash (outflow) inflow from financing		**(16,850)**	202,371

	notes	2001 HK$'000	2000 HK$'000
Decrease in cash and cash equivalents		**(276,829)**	(202,041)
Cash and cash equivalents at beginning of year		**476,560**	678,601
Cash and cash equivalents at end of year		**199,731**	476,560
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**717,954**	892,378
Bank borrowings repayable within three months from date of the advances		**(155,589)**	(121,362)
		562,365	771,016
Less: Bank balances – trust and segregated accounts		**(362,634)**	(294,456)
		199,731	476,560

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following revised and new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 9 (Revised)	Events after balance sheet date
SSAP 10 (Revised)	Accounting for investments in associates
SSAP 14 (Revised)	Leases
SSAP 17 (Revised)	Property, plant and equipment
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investment in subsidiaries

The adoption of these revised and new SSAPs has led to a change in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, these revised and new SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative disclosures for the prior year have been restated in order to achieve a consistent presentation. Details of such restatement are set out below.

The adoption of these revised and new SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31 December 2000 have been amended so that they are presented on a consistent basis.

Goodwill and impairment of assets

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill previously eliminated against reserves. However, impairment loss 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 recognised retrospectively in accordance with SSAP 31. 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 or associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE continued

Goodwill and impairment of assets continued

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 is to be determined.

The financial effect of the adoption of these new accounting policies is summarised below:

	THE GROUP		
	Contributed surplus HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001			
As originally stated	62,874	268,708	331,582
Retrospective recognition of impairment of goodwill held in reserves	438,118	(438,118)	–
As restated	500,992	(169,410)	331,582

The effect of this change in accounting policies on the results for the current and prior periods is as follows:

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Amortisation of goodwill	**(2,997)**	–
Impairment loss on goodwill held in reserves	–	(438,118)
	(2,997)	(438,118)

Reconciliation of the profit for the year ended 31 December 2000 is as follows:

	THE GROUP
	2000 HK$'000
Profit as originally stated	101,767
Impairment loss on goodwill held in reserves	(438,118)
Loss as retrospectively restated	(336,351)

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

Goodwill arising on acquisitions 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 or associate, or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment

Property and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, as follows:

Land and buildings	over the lease terms
Leasehold improvements	the shorter of the lease terms and 5 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rental are charged to the income statement on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Investments

Investments are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Intangible assets

Intangible assets represent trading rights in the exchanges in Hong Kong. They are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Club membership

Club membership is stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Revenue recognition

Fees and commission income are recognised on a trade date basis when the services are rendered.

Realised profits and losses arising from trading of financial products are accounted for in the period in which the contracts/positions are closed as the difference between the net sales proceeds and the carrying amount of the financial products. Open contracts/positions are valued at market rate with unrealised profits and losses included in the income statement.

Information technology advisory income is recognised when the services are rendered.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Sales of goods are recognised when goods are delivered and title has passed.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Pension scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. TURNOVER

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Continuing operations:		
Fees and commission income	**200,973**	326,483
Interest income	**52,936**	85,074
(Loss) Gain on trading of securities, options and futures	**(30,502)**	60,148
Information technology advisory income in Hong Kong	**1,520**	–
Sales of furniture and household goods, net of discounts and returns	**748,633**	–
	973,560	471,705
Discontinued operations:		
Information technology advisory income in the United States of America	**–**	1,131
	973,560	472,836

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, retailing, information technology and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, proprietary trading and corporate finance services
Retailing	Sales of furniture and household goods
Information technology	Providing information technology advisory services
Investment holding	Strategic investment

Segment information about these businesses for the year ended 31 December 2001 is presented below.

Income statement for the year ended 31 December 2001

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
Turnover	223,407	748,633	1,520	–	973,560
Segment (loss) profit	(136,914)	14,616	(47,505)	(259,134)	(428,937)
Unallocated corporate expenses					(54,790)
Gain on deemed disposal of investments in subsidiaries					2,351
Loss before taxation					(481,376)
Taxation credit					152
Net loss attributable to shareholders					(481,224)

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

Business segments continued

Balance sheet at 31 December 2001

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	932,359	545,750	6,344	397,611	1,882,064
Unallocated corporate assets					30,072
Consolidated total assets					1,912,136
LIABILITIES					
Segment liabilities	605,817	178,335	17,592	–	801,744
Unallocated corporate liabilities					12,911
Consolidated total liabilities					814,655

Other information for the year ended 31 December 2001

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	21,106	20,573	143	–	10,216	52,038
Depreciation and amortisation	23,934	24,721	11	–	6,059	54,725
Impairment losses recognised in income statement	2,073	–	–	231,332	5,454	238,859
Provision for bad and doubtful debts	43,561	–	–	1,357	–	44,918

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

Business segments continued

Income Statement for the year ended 31 December 2000

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000 (restated)
Turnover	471,526	–	1,310	–	472,836
Segment (loss) profit	(5,428)	–	(208,014)	(135,025)	(348,467)
Unallocated corporate expenses					(28,977)
Loss before taxation					(377,444)
Taxation credit					1,428
Net loss attributable to shareholders					(376,016)

Balance sheet at 31 December 2000

	Financial services HK$'000	Retailing HK$'000	Information technology HK$'000	Investment holding HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	1,511,866	–	22,846	361,472	1,896,184
Unallocated corporate assets					22,234
Consolidated total assets					1,918,418
LIABILITIES					
Segment liabilities	569,328	–	21,505	–	590,833
Unallocated corporate liabilities					14,403
Consolidated total liabilities					605,236

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

Business segments continued

Other information for the year ended 31 December 2000

	Financial services HK$'000	Retailing HK$'000	Direct investment HK$'000	Information technology HK$'000	Unallocated HK$'000	Consolidated HK$'000 (restated)
Additions of property and equipment	49,010	–	–	802	–	49,812
Depreciation and amortisation	12,055	–	–	1,141	7,400	20,596
Impairment losses recognised in income statement	–	–	453,718	–	–	453,718
Provision for bad and doubtful debts	30,900	–	–	–	–	30,900

Geographical segments

The Group's information technology operations are located in Hong Kong and the United States of America. All the Group's other operations are located in Hong Kong. During the year, the Group ceased its information technology business in the United States of America.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/ services:

	Turnover		Contribution to loss before taxation	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000 (restated)
Hong Kong	**973,560**	471,705	**(437,717)**	(169,430)
United States of America	–	1,131	**(43,659)**	(208,014)
	973,560	472,836	**(481,376)**	(377,444)

Turnover from the Group's discontinued operations was derived from the United States of America (2001: nil, 2000: HK$1,131,000).

6. OTHER REVENUE

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Gain on deemed disposal of interests in Pricerite and its subsidiaries	**2,351**	–
Gain on deemed disposal of interests in CFSG (formerly known as CASH on-line Limited) and its subsidiaries	**–**	157,724
Gain on disposal of unlisted investment securities	**–**	37,500
	2,351	195,224

7. SALARIES, ALLOWANCES AND COMMISSION

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Salaries, allowances and commission (including Directors' remuneration)	**230,514**	205,430
Contributions to retirement benefits scheme	**9,277**	697
	239,791	206,127

8. LOSS ON DISCONTINUED OPERATIONS

In response to the rapid deterioration of the global information technology business environment, the Group commenced a restructuring plan during the year for its Technology Development Group ("TDG"). The plan included the downsizing and consolidating of some operations of TDG to preserve resources only on those technology projects with the most promising potentials. As part of the plan, the Group closed its information technology business in the United States of America in July 2001.

The results of the subsidiaries for the period from 1 January 2001 to the date of discontinuance, which have been included in the consolidated financial statements, are as follows:

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Turnover	**–**	1,131
Loss before taxation:		
Write off of property and equipment	**11,170**	–
Redundancy costs	**32,489**	–
	43,659	–

9. FINANCE COSTS

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	**10,426**	12,633
Finance leases	**309**	469
	10,735	13,102

10. DIRECTORS' REMUNERATION

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Fees:		
Executive Directors	**–**	–
Independent Non-executive Directors	**–**	–
Other emoluments paid to Executive Directors:		
Salaries, allowances and other benefits	**7,940**	9,645
Contributions to retirement benefits schemes	**284**	75
Performance related incentive payment	**3,449**	–
Total remuneration	**11,673**	9,720

The remuneration of the Directors fell within the following bands:

	THE GROUP	
	2001 Number of Directors	2000 Number of Directors
Nil – HK$1,000,000	**3**	7
HK$1,500,001 – HK$2,000,000	**3**	2
HK$2,000,001 – HK$2,500,000	**3**	1
HK$2,500,001 – HK$3,000,000	**–**	1
	9	11

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the year.

11. EMPLOYEES' EMOLUMENTS

The five highest paid employees included five (2000: three) Directors of the Company, details of whose remuneration are included in the above disclosures. The details of the remuneration of the remaining individuals were as follows:

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Salaries, allowances and benefits in kind	–	4,095
Contributions to retirement benefit schemes	–	85
	–	4,180

The remuneration of the remaining highest paid individuals fell within the following band:

	THE GROUP	
	2001 **Number of employees**	2000 Number of employees
HK$2,000,001 – HK$2,500,000	–	2

12. LOSS BEFORE TAXATION

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Loss before taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	**36,949**	98,492
Amortisation of intangible assets	**1,830**	1,823
Amortisation of goodwill	**2,997**	–
Auditors' remuneration	**1,723**	1,300
Depreciation:		
Owned assets	**48,084**	17,665
Leased assets	**1,814**	1,108
	49,898	18,773
Loss on disposal of property and equipment	**20,143**	250
Loss on disposal of subsidiaries	**1,023**	–
Operating lease rentals in respect of land and buildings:		
Minimum lease payments	**98,821**	17,175
Contingent rents	**9,906**	–
	108,727	17,175
Provision for bad and doubtful debts	**44,918**	30,900
Provision for inventory obsolescence and write-off of inventories (included in the changes in inventories of finished goods)	**6,795**	–
Net foreign exchange (gain) loss	**(47)**	32
Write-off of deposit for the development of foreign exchange internet platform	–	1,950

13. TAXATION CREDIT

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Hong Kong Profits Tax:		
Provision for the year	**(200)**	–
Overprovision in prior years	**352**	148
	152	148
Deferred taxation (note 32)	**–**	1,280
Taxation attributable to the Company and its subsidiaries	**152**	1,428

Hong Kong Profits Tax is calculated at 16% on the Group's estimated assessable profits arising in Hong Kong.

No tax is payable on the profit for the year ended 31 December 2000 arising in Hong Kong since there is no estimated assessable profits.

14. DISTRIBUTION

During the year ended 31 December 2000, the Company distributed 498,123,217 shares of CFSG to the shareholders of the Company. Particulars of the distribution in specie of shares in CFSG were set out in the Company's circular dated 2 August 2000.

15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended 31 December 2001 together with the comparative figures for 2000 are as follows:

	2001 **HK$'000**	2000 HK$'000 (restated)
Loss for the purpose of basic loss per share	**(454,036)**	(336,351)
Adjustment to the share of result of subsidiaries based on dilution of their earnings per share	**(8)**	–
Loss for the purpose of diluted loss per share	**(454,044)**	(336,351)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,293,608,096**	5,085,761,055

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options and warrants as the exercise price of those options and warrants were higher than the average market price of shares during the two years ended 31 December 2001.

15. LOSS PER SHARE continued

The adjustment to comparative basic earnings (loss) per share, arising from the change in accounting policies shown in note 2 above, is as follows:

	HK cents
Reconciliation of 2000 earnings (loss) per share:	
Reported earnings per share before adjustments	2.0
Adjustments arising from the adoption of SSAPs 30 and 31	(8.6)
Restated loss per share	(6.6)

16. PROPERTY AND EQUIPMENT

	Leasehold land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2001	14,000	–	51,152	88,220	4,433	157,805
Acquired on acquisition of subsidiaries	73,500	–	25,249	43,133	488	142,370
Additions	–	10,000	18,629	22,023	1,386	52,038
Disposals	–	–	(22,631)	(17,388)	(27)	(40,046)
At 31 December 2001	87,500	10,000	72,399	135,988	6,280	312,167
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2001	1,266	–	12,207	23,669	1,050	38,192
Provided for the year	2,780	–	18,625	27,224	1,269	49,898
Impairment loss recognised in the income statement	5,454	–	–	2,073	–	7,527
Eliminated on disposals	–	–	(12,997)	(6,895)	(11)	(19,903)
At 31 December 2001	9,500	–	17,835	46,071	2,308	75,714
NET BOOK VALUES						
At 31 December 2001	78,000	10,000	54,564	89,917	3,972	236,453
At 31 December 2000	12,734	–	38,945	64,551	3,383	119,613

16. PROPERTY AND EQUIPMENT continued

The leasehold land and buildings of the Group are situated in Hong Kong. The lease terms of the leasehold land and buildings are as follows:

	2001 HK$'000	2000 HK$'000
Long leases	**25,400**	–
Medium-term leases	**52,600**	12,734
	78,000	12,734

The leasehold land and buildings with a net book value of approximately HK$71,000,000 (2000: nil) held by the Group were pledged to secure general banking facilities granted to the Group.

The net book values of furniture, fixtures and equipment of HK$89,917,000 and motor vehicles of HK$3,972,000 include an amount of HK$1,428,000 (2000: HK$1,706,000) and HK$2,764,000 (2000: HK$3,086,000) respectively in respect of assets held under finance leases.

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1 January 2001	19,682	11,130	30,812
Disposals	(11,256)	–	(11,256)
At 31 December 2001	8,426	11,130	19,556
ACCUMULATED DEPRECIATION			
At 1 January 2001	7,387	7,342	14,729
Provided for the year	2,823	2,184	5,007
Eliminated on disposals	(5,930)	–	(5,930)
At 31 December 2001	4,280	9,526	13,806
NET BOOK VALUES			
At 31 December 2001	4,146	1,604	5,750
At 31 December 2000	12,295	3,788	16,083

17. INVESTMENTS IN SUBSIDIARIES

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Unlisted shares, at cost	**60,793**	60,793
Impairment loss recognised	**(60,793)**	(60,793)
	–	–

The following table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Name	Country/ Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Halo Solutions Limited	Hong Kong	Ordinary HK$2	100	Provision of information technology advisory services
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	50.08	Provision of electronic trading platform for trading financial products, provision of electronic financial services and investment holding
CASH Insurance Services Limited	Hong Kong	Ordinary HK$100,000	50.08	Insurance broking
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	50.08	Provision of payment gateway services
CASH Research Limited (Formerly known as e-finance.com.hk Limited)	Hong Kong	Ordinary HK$26,000,000	50.08	Operation of a financial information website
Celestial Capital Limited	Hong Kong	Ordinary HK$17,000,000	50.08	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	50.08	Futures and options broking and trading

17. INVESTMENTS IN SUBSIDIARIES continued

Name	Country/ Place of incorporation	Paid up issued share capital	Proportion of nominal value of issued share capital held by the Company %	Principal activities
Celestial Finance Limited	Hong Kong	Ordinary HK$20,000,002 Non-voting deferred* HK$10,000,000	50.08	Provision of share margin financing
Celestial (International) Securities & Investment Limited	Hong Kong	Ordinary HK$2 Non-voting deferred* HK$10,000,000	50.08	Investment holding and money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$50,000,000	50.08	Securities and equity options broking and trading
Pricerite Stores Limited	Hong Kong	Ordinary HK$1,000 Deferred non-voting** HK$5,000,000	66.18	Retailing of furniture and household goods
Pricerite.com.hk Limited	Hong Kong	Ordinary HK$2	66.18	Retailing of furniture and household goods through a website
Cosmos Global Limited	Hong Kong	Ordinary HK$2	66.18	Retailing of cosmetic and skin care products

* The non-voting deferred shares carry no rights to dividends, no rights to vote at general meetings and no rights to receive any surplus in a return of capital in a winding-up or otherwise.

** The rights and restrictions attaching to such non-voting deferred shares are summarised as follows:

(a) as regards voting, the non-voting deferred shares do not entitle the holders thereof to attend or vote at any general meeting of the relevant company;

(b) as regards dividends, the holders thereof are not entitled to any dividend unless the net profits of the relevant company available for dividend (as certified by its auditors) as earned in the year in respect of which a dividend is declared exceed HK$100 billion, in which case the holders of the non-voting deferred shares are collectively entitled to one thousandth of one per cent of the amount of the profits so available which exceed HK$100 billion; and

(c) as regards capital, on a return of assets or a winding-up, the holders of such non-voting deferred shares are entitled out of the surplus assets of the relevant company to a return of capital paid on such non-voting deferred shares held by then after a total of HK$1,000 billion has been distributed in such winding-up in respect of each of the issued ordinary shares in the relevant company.

The principal place of operation of the subsidiaries is Hong Kong. All the subsidiaries shown above are indirectly held by the Company.

18. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Share of net assets	–	15,507
Loan to an associate	**164,466**	45,648
	164,466	61,155

The loan to an associate is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of Directors, the loan will not be repaid in the next twelve months.

At 31 December 2001, the Group had interests in the following associates:

Name	Place/ country of incorporation	Form of business structure	Provision of nominal value of issued ordinary capital held by the Group %	Principal activities
Transtech Services Group Limited	Hong Kong	Incorporated	46.25	Investment holding
Transtech Photonics Limited	Hong Kong	Incorporated	46.25	Producing photonics products and system but had not yet commenced production during the year
Transtech Networks Limited	British Virgin Islands	Incorporated	46.25	Provision of consultancy services of photonics technology but had not yet commenced business during the year

Transtech Photonics Limited and Transtech Networks Limited are the wholly-owned subsidiaries of Transtech Services Group Limited.

The principal place of operation of these companies is Hong Kong.

The following details have been extracted from the consolidated audited financial statements of Transtech Services Group Limited.

18. INTERESTS IN ASSOCIATES continued

	2001 HK$'000	2000 HK$'000
Non-current assets	**327,506**	88,818
Current assets	**9,825**	5,679
Non-current liabilities	**328,932**	91,295
Current liabilities	**35,845**	2,200
Net loss for the year	**28,449**	3,626

19. INVESTMENTS

	Investment securities		Other investments		Total	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Equity securities:						
Non-current						
Unlisted, at cost	**301,500**	191,500	**–**	–	**301,500**	191,500
Impairment loss recognised	**(244,500)**	(15,600)	**–**	–	**(244,500)**	(15,600)
	57,000	175,900	**–**	–	**57,000**	175,900
Current						
Listed in Hong Kong, at market value	**–**	–	**33,502**	30,245	**33,502**	30,245
	57,000	175,900	**33,502**	30,245	**90,502**	206,145

In response to the rapid deterioration of the global information technology business environment during the year, the Group assessed the recoverable amounts of its investments. Total impairment loss of approximately HK$228,900,000 was recognised. In the opinion of the Directors, the carrying value of the investments as at 31 December 2001 represented the net selling price of these investments which was determined by reference to the consideration received from the disposal of the Group's investment in the similar business.

20. GOODWILL

	THE GROUP HK$'000
COST	
Arising on acquisitions of subsidiaries	100,596
Eliminated on deemed disposals	(8,995)
At 31 December 2001	91,601
AMORTISATION	
Charged for the year and at 31 December 2001	(2,997)
NET BOOK VALUE	
At 31 December 2001	88,604

The amortisation period adopted for goodwill is from 10 to 20 years.

21. INTANGIBLE ASSETS

	THE GROUP HK$'000
COST	
At 1 January 2001 and at 31 December 2001	18,235
AMORTISATION	
At 1 January 2001	1,823
Charged for the year	1,830
At 31 December 2001	3,653
NET BOOK VALUES	
At 31 December 2001	14,582
At 31 December 2000	16,412

Intangible assets represent trading rights in exchanges in Hong Kong and are amortised over 10 years.

22. OTHER ASSETS

	THE GROUP		THE COMPANY	
	2001 **HK$'000**	2000 HK$'000	**2001** **HK$'000**	2000 HK$'000
Club memberships	**5,638**	4,928	**–**	–
Deposits for long term investments/projects	**39,000**	39,000	**–**	39,000
Statutory and other deposits	**9,429**	7,529	**–**	–
	54,067	51,457	**–**	39,000

23. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Matured within 180 days	**22,770**	–
Matured between 181 days to 365 days	**1,700**	72,000
Matured within one year	**24,470**	72,000
Matured over one year	**42,646**	114,252
	67,116	186,252

24. INVENTORIES

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Finished goods held for sale	**53,983**	–

Finished goods of approximately HK$8,479,000 (2000: nil) are carried at net realisable value.

25. ACCOUNTS RECEIVABLE

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**10,928**	5,036
Cash clients	**11,817**	11,789
Margin clients	**221,456**	257,637
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**43,674**	44,168
Trade debtors – retailing	**2,997**	–
	290,872	318,630

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options are two days after trade date, and accounts receivable arising from the business of dealing in futures and options are one day after trade date.

Except for the loans to share margin clients as mentioned below, all the above balances aged within 30 days.

Loans to share margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing. Included in accounts receivable from margin clients arising from the business of dealing in securities is an amount of approximately HK$25,220,000 (2000: HK$18,695,000) due from Suffold, in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. The amount is secured by pledged securities and repayable on demand, and bears interest at commercial rates which are similar to the rates offered to other margin clients. The maximum amount outstanding during the year is HK$25,220,000 (2000: HK$36,143,000).

The aged analysis of trade debtors – retailing at the balance sheet date is as follows:

	2001 **HK$'000**	2000 HK$'000
0 – 30 days	**2,609**	–
31 – 60 days	**388**	–
	2,997	–

The Group allows an average credit period of 60 days to its trade debtors.

26. PLEDGED BANK DEPOSITS

At the balance sheet date, the Group's bank deposits of HK$42,868,000 (2000: HK$27,260,000) were pledged to banks to secure the general banking facilities granted to subsidiaries and an associate, and to secure foreign exchange margin trading facilities granted to a subsidiary. In addition, the Group's bank deposit of HK$877,000 (2000: HK$877,000) was pledged to secure a bank guarantee of HK$877,000 (2000: HK$877,000) given to one of the Group's landlords.

27. ACCOUNTS PAYABLE

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**–**	8,331
Cash clients	**243,866**	233,357
Margin clients	**52,575**	32,386
Accounts payable to clients arising from the business of dealing in futures and options	**119,826**	100,642
Trade creditors – retailing	**131,779**	–
	548,046	374,716

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable to share margin clients, the age of these balances is within 30 days.

Amounts due to share margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

The aged analysis of trade creditors – retailing at the balance sheet date is as follows:

	2001 HK$'000	2000 HK$'000
0 – 30 days	**35,671**	–
31 – 60 days	**30,784**	–
61 – 90 days	**24,989**	–
Over 90 days	**40,335**	–
	131,779	–

28. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Amounts payable under finance leases:				
Within one year	**2,033**	2,356	**1,988**	2,146
In the second to fifth year inclusive	**893**	1,710	**749**	1,627
	2,926	4,066	**2,737**	3,773
Less: Future finance charges	**189**	293	**–**	–
Present value of lease obligations	**2,737**	3,773	**2,737**	3,773
Less: Amount due for payment within one year			**(1,988)**	(2,146)
Amount due for payment after one year			**749**	1,627

It is the Group's policy to lease certain of its furniture, fixtures and equipment, and motor vehicles under finance leases. The average lease term is 2 to 4 years. Interest rates are charged at commercial rates and fixed at the respective contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and an amount of HK$599,000 (2000: HK$1,478,000) is secured by a guarantee given by a subsidiary.

29. BANK BORROWINGS

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Bank overdrafts	**10,248**	36,362
Bank loans	**127,000**	85,000
Trust receipt loans	**18,341**	–
	155,589	121,362
Unsecured	**496**	5,771
Secured	**155,093**	115,591
	155,589	121,362

29. BANK BORROWINGS continued

The bank borrowings bear interest at commercial rates and are repayable on demand or within one year. These borrowings are used to finance the financing business and the retail business of the Group.

At 31 December 2001, the Group's bank borrowings of HK$155,093,000 (2000: HK$115,591,000) were secured by:

(a) corporate guarantees from a subsidiary and the Company;

(b) marketable securities of the Group's clients (with clients' consent);

(c) pledge of the Group's certain leasehold land and buildings; and

(d) pledge of HK$8,500,000 (2000: nil) bank deposits of a subsidiary.

30. SHARE CAPITAL

	notes	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2000 and at 1 January 2001		8,000,000	800,000
Increase during the year		2,000,000	200,000
At 31 December 2001		10,000,000	1,000,000
Issued and fully paid:			
At 1 January 2000		4,960,667	496,067
Issued as consideration to acquire 8.7% of the issued share capital of CFSG	(a)	463,147	46,315
Placement of shares	(b)	479,000	47,900
Exercise of warrants	(c)	486	48
Exercise of share options		20,598	2,060
At 31 December 2000 and at 1 January 2001		5,923,898	592,390
Issued as consideration to acquire 78.44% of the issued capital of Pricerite	(d)	507,654	50,765
Issued as consideration for general offer related to the acquisition of Pricerite	(d)	164	16
Shares repurchased and cancelled	(e)	(37,362)	(3,736)
At 31 December 2001		6,394,354	639,435

30. SHARE CAPITAL continued

notes:

(a) Acquisition of 8.7% of the issued share capital of CFSG

Pursuant to an agreement dated 4 September 2000, the Company purchased 175,000,000 ordinary shares of HK$0.10 each in CFSG from Cash Guardian at a consideration of approximately HK$277,888,000. The consideration was satisfied by the issue and allotment of 463,146,750 ordinary shares of HK$0.10 each in the Company to Cash Guardian at HK$0.60 per share.

(b) Placement of shares

Pursuant to a private placing agreement dated 8 December 2000, Cash Guardian sold a total of 479,000,000 ordinary shares of HK$0.10 each in the Company to certain independent third parties at HK$0.30 per share and the Company in turn allotted and issued 479,000,000 ordinary shares of HK$0.10 each of the Company to Cash Guardian at HK$0.30 per share.

The proceeds of the placing, before expenses, totalled approximately HK$143,700,000. The proceeds were used to provide additional working capital for the Group. These shares ranked pari passu with all other shares in issue in all respect.

(c) Warrants

On 14 July 2000, the Company issued 497,591,725 bonus issue of warrants ("Bonus Warrants") to the shareholders of the Company, whose addresses were in Hong Kong as shown in the register of members of the Company at the close of business on 7 July 2000 at a distribution ratio of one warrant for every ten shares of HK$0.10 each in the Company. Each unit of the Bonus Warrants will give the holder the right to subscribe in cash for one ordinary share of HK$0.10 of the Company at a subscription price of HK$0.65 per share at any time from 20 July 2000 to and including 31 July 2002. During the year ended 31 December 2000, the registered holders of 486,060 Bonus Warrants exercised their rights to subscribe for 486,060 ordinary shares in the Company.

On 14 July 2000, the Company issued 496,440,000 warrants ("Placing Warrants") to independent investors at a price of HK$0.12 per Placing Warrant. Each unit of the Placing Warrants will give the holder the right to subscribe in cash for one ordinary share of HK$0.10 in the Company at an subscription price of HK$0.60 per share at any time from 20 July 2000 to and including 31 January 2002.

During the year, no warrant holders exercised their rights to subscribe for ordinary shares in the Company. At the balance sheet date, the Company had 497,105,665 Bonus Warrants and 496,440,000 Placing Warrants. Exercise in full of such warrants (if the subscription prices are not to be adjusted) would result in the issue of 993,545,665 additional shares of HK$0.10 each.

(d) Acquisition of majority interests in Pricerite

On 9 February 2001, the Company entered into agreements with Miliway Resources Limited ("Miliway") and Joyplace Inc ("Joyplace"), pursuant to which the Company agreed to purchase or procure the purchase of 320,000,000 and 115,132,000 shares of HK$0.10 each in Pricerite respectively from Miliway and Joyplace at a consideration of HK$112,000,000 and HK$40,296,200 respectively. The considerations were settled by the issue and allotment of 373,333,333 and 134,320,667 shares of HK$0.10 each in the Company.

Following the completion of the agreements with Miliway and Joyplace, the Company made unconditional general offers for all the issued shares in Pricerite on the basis of one share in Pricerite for HK$0.35 or six shares in Pricerite for seven shares in the Company, and the outstanding options which entitle the holders to subscribe for shares in Pricerite on the basis of each option for HK$0.0001. During the period of the general offers, the Company issued 164,605 shares of HK$0.10 each in the Company to acquire 141,096 shares of HK$0.10 each in Pricerite.

(e) Share repurchased

The Company repurchased 37,362,000 own shares at a total consideration (before expenses) of HK$6,504,276. All the shares repurchased were cancelled upon repurchase.

(f) Share options

During the year, no share options were exercised to subscribe ordinary shares of the Company.

Exercise price per share	Exercise period	Date of share options granted	Number of shares options outstanding at 31 December 2001 '000
HK$0.23	13.11.2000 – 12.5.2002	13.5.1999	750
HK$0.59	8.4.2000 – 7.4.2002	4.10.1999	152,560
HK$0.61	1.11.2000 – 31.10.2002	15.11.1999	10,000
HK$0.80	10.1.2001 – 9.1.2003	10.1.2000	10,000
HK$0.80	11.7.2000 – 10.7.2002	10.1.2000	500
HK$0.35	1.12.2000 – 30.11.2002	1.6.2000	55,000
HK$0.49	1.2.2001 – 31.1.2003	28.7.2000	1,000
HK$0.27	16.5.2001 – 15.5.2003	6.11.2000	56,000
HK$0.24	16.8.2001 – 15.8.2003	2.2.2001	6,000
HK$0.13	1.3.2002 – 28.2.2004	31.8.2001	90,000
			381,810

The exercise in full of the outstanding 381,810,000 share options at 31 December 2001 would, under the present capital structure of the Company, result in the issue of 381,810,000 additional shares for a total cash consideration, before expenses, of approximately HK$152,683,000.

31. RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Capital reserve HK$'000	(Accumulated losses) Retained profits HK$'000	Total HK$'000
THE GROUP							
At 1 January 2000	770,377	19,800	1,160	–	22,521	(144,599)	669,259
Reduction of share premium transferred to contributed surplus	(398,582)	398,582	–	–	–	–	–
Amount transfer to write off against the accumulated losses and for distribution of shares in CFSG	–	(398,582)	–	–	–	398,582	–
Issue of shares	327,373	–	–	–	–	–	327,373
Share issue expenses	(6,367)	–	–	–	–	–	(6,367)
Issue of warrants	–	–	–	59,573	–	–	59,573
Exercise of share options	3,153	–	–	–	–	–	3,153
Exercise of warrants	267	–	–	–	–	–	267
Reduction of share premium transferred to contributed surplus	(500,000)	500,000	–	–	–	–	–
Realisation on completion of the deemed disposal of subsidiaries	–	–	–	–	(22,521)	–	(22,521)
Goodwill on acquisition of subsidiaries and associates	–	(456,926)	–	–	–	–	(456,926)
Net profit for the year	–	–	–	–	–	101,767	101,767
Arising on distribution	–	–	–	12,314	–	–	12,314
Distribution	–	–	–	–	–	(87,042)	(87,042)
At 31 December 2000 and at 1 January 2001							
– as originally stated	196,221	62,874	1,160	71,887	–	268,708	600,850
– prior period adjustment (note 2)	–	438,118	–	–	–	(438,118)	–
– as restated	196,221	500,992	1,160	71,887	–	(169,410)	600,850
Issue of shares	101,564	–	–	–	–	–	101,564
Share issue expenses	(816)	–	–	–	–	–	(816)
Premium arising from repurchase of shares	(2,934)	–	–	–	–	–	(2,934)
Goodwill reversed on disposal of an associate	–	18,508	–	–	–	–	18,508
Net loss for the year	–	–	–	–	–	(454,036)	(454,036)
At 31 December 2001	294,035	519,500	1,160	71,887	–	(623,446)	263,136
Attributable to:							
Company and subsidiaries	294,035	519,500	1,160	71,887	–	(535,237)	351,345
Associates	–	–	–	–	–	(88,209)	(88,209)
	294,035	519,500	1,160	71,887	–	(623,446)	263,136

31. RESERVES continued

	Share premium HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2000	768,339	80,593	–	(311,540)	537,392
Reduction of share premium transferred to contributed surplus	(398,582)	398,582	–	–	–
Amount transfer to write off against the accumulated losses and for distribution of shares in CFSG	–	(398,582)	–	398,582	–
Reduction of share premium transferred to contributed surplus	(500,000)	500,000	–	–	–
Issue of shares	327,373	–	–	–	327,373
Share issue expenses	(6,367)	–	–	–	(6,367)
Issue of warrants	–	–	59,573	–	59,573
Exercise of share options	3,153	–	–	–	3,153
Exercise of warrants	267	–	–	–	267
Net loss for the year	–	–	–	(23,595)	(23,595)
Distribution	–	–	–	(87,042)	(87,042)
At 31 December 2000 and at 1 January 2001	194,183	580,593	59,573	(23,595)	810,754
Issue of shares	101,564	–	–	–	101,564
Share issue expenses	(816)	–	–	–	(816)
Premium arising from repurchase of shares	(2,934)	–	–	–	(2,934)
Net loss for the year	–	–	–	(645,908)	(645,908)
At 31 December 2001	291,997	580,593	59,573	(669,503)	262,660

The contributed surplus of the Group arose as a result of the group reorganisation in 1994 and represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation and the nominal value of the share capital of the Company issued in exchange thereof.

The contributed surplus of the Company arose as a result of the group reorganisation in 1994 and represents the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

The capital reserve of the Group as at 1 January 2000 represented gain arising from the deemed disposal of interests in subsidiaries in which the disposal had not yet been completed at the year ended 31 December 1999. During the year, the amount was transferred to the income statement on completion of the disposal of subsidiaries.

Pursuant to the special resolutions passed at the special general meetings of the Company held on 1 September 2000 and 22 December 2000, the share premium account of the Company was reduced by approximately HK$398,582,000 and HK$500,000,000 respectively. The amount of HK$398,582,000 arising from the reduction of the share premium account was credited to the contributed surplus account. An amount of HK$398,582,000 of the contributed surplus was written off against the accumulated losses of the Company as at 1 September 2000 and for the distribution of shares in CFSG as special dividend in specie to the shareholders of the Company. Particulars of the reduction were set out in the Company's circular dated 2 August 2000 and were approved by the shareholders on 1 September 2000. The amount of HK$500,000,000 arising from the reduction of the share premium account was credited to the contributed surplus account. Particulars of the reduction were set out in the Company's circular dated 29 November 2000 and were approved by the shareholders on 22 December 2000.

32. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
At 1 January	**–**	1,280	**–**	1,200
Written back during the year (note 13)	**–**	(1,280)	**–**	(1,200)
At 31 December	**–**	–	**–**	–

At the balance sheet date, the major components of the unprovided deferred taxation assets (liabilities), were as follows:

	THE GROUP Unprovided		THE COMPANY Unprovided	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Tax effect of timing differences because of:				
Estimated tax losses	**59,570**	75,284	**–**	–
Excess of tax allowances over depreciation	**(10,177)**	(7,368)	**–**	107
	49,393	67,916	**–**	107

A net deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses available to offset future assessable profits as it is not certain that the estimated tax losses will be utilised in the foreseeable future.

The amount of unprovided deferred taxation credit (charge) for the year were as follows:

	THE GROUP Unprovided		THE COMPANY Unprovided	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Tax effect of timing difference because of:				
Estimated tax losses (utilising) arising	**(15,714)**	47,511	**–**	(443)
(Excess) Deficit of tax allowances over depreciation	**(2,809)**	(7,177)	**(107)**	107
	(18,523)	40,334	**(107)**	(336)

33. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 HK$'000	2000 HK$'000 (restated)
Loss before taxation	(481,376)	(377,444)
Share of losses of associates	4,758	57,994
Gain on deemed disposal of interests in Pricerite and its subsidiaries	(2,351)	–
Loss on disposal of an associate	25,457	–
Loss on disposal of subsidiaries	1,023	–
Interest expenses	10,735	13,102
Amortisation of intangible assets	1,830	1,823
Amortisation of goodwill	2,997	–
Depreciation	49,898	18,773
Impairment loss on investments	228,900	15,600
Impairment loss on property and equipment	7,527	–
Impairment loss on goodwill held in reserves	–	438,118
Gain on deemed disposal of interests in CFSG and its subsidiaries	–	(157,724)
Gain on disposal of investment securities	–	(37,500)
Write-off of deposit for the development of foreign exchange internet platform	–	1,950
Provision for bad and doubtful debts	44,918	30,900
Provisions for inventory obsolescence and write-off of inventories	6,795	–
Loss on disposals of property and equipment	20,143	250
Unrealised loss on other investments	5,986	6,874
Decrease (Increase) in investments	8,978	(36,303)
Increase in bank balances – trust and segregated accounts	(68,178)	(45,055)
(Decrease) Increase in loans receivable	7,856	(200,304)
Increase in inventories	(8,141)	–
Decrease in accounts receivable	22,120	230,382
Increase in prepayments, deposits and other receivables	(19,261)	(22,117)
Increase (Decrease) in accounts payable	65,538	(26,832)
(Decrease) Increase in accrued liabilities and other payables	(18,998)	18,852
Increase in amount due to an affiliated company	–	45,850
Net cash outflow from operating activities	(82,846)	(22,811)

34. DISTRIBUTION OF SHARES IN CFSG

On 1 September 2000, the Company distributed 498,123,127 shares of CFSG to the shareholders of the Company thereby reducing the Company's interest in CFSG from 65.80% to 41.08%. The net assets disposed of were as follows:

	2001 HK$'000	2000 HK$'000 (restated)
NET ASSETS DISPOSED OF		
Property and equipment	–	17,749
Prepayments, deposits and other receivables	–	15,244
Bank balances	–	336,253
Accrued liabilities and other payables	–	(21,073)
Amount due to an affiliated company	–	(45,850)
	–	302,323
Less: Minority interests	–	(103,395)
	–	198,928
Distribution in specie	–	87,042
Other reserve arising from distribution	–	(12,314)
Interest in CFSG	–	124,200
	–	198,928
NET CASH OUTFLOW ARISING ON DISPOSAL		
Bank balances disposed of	–	(336,253)

The subsidiary disposed of during the year ended 31 December 2000 utilised approximately HK$71 million of the Group's net operating cash flows, contributed approximately HK$219 million in respect of financing activities and utilised approximately HK$26 million for investing activities. The results of CFSG attributable to the Group were disclosed in the consolidated income statement for the year ended 31 December 2000.

35. DISPOSAL OF SUBSIDIARIES

	2001 HK$'000	2000 HK$'000
NET ASSETS DISPOSED OF		
Investments	20,651	–
Accounts payable	(28)	–
	20,623	–
Loss on disposal	(1,023)	–
Total consideration	19,600	–
SATISFIED BY		
Cash	19,600	–
NET CASH INFLOW ARISING ON DISPOSAL		
Cash	19,600	–

The subsidiaries sold during the year contributed HK$30,248,000 to the Group's net operating cash outflow.

The subsidiaries disposed of during the year contributed HK$28,803,000 to the Group's loss from operations.

36. ACQUISITION OF SUBSIDIARIES

	2001 HK$'000	2000 HK$'000
NET ASSETS ACQUIRED		
Property and equipment	142,370	48,324
Prepayments, deposits and other receivables	33,807	16,562
Inventories	52,637	–
Taxation recoverable	125	–
Bank balances and cash	68,538	265,255
Pledged bank deposits	8,500	–
Accounts payable	(107,820)	–
Accrued liabilities and other payables	(21,989)	(58,354)
Bank borrowings	(42,120)	–
Minority interests	(28,666)	(124,405)
	105,382	147,382
Interests in associates	–	(70,760)
Goodwill on consolidation	100,596	423,702
	205,978	500,324
SATISFIED BY		
Shares allotted	152,345	277,888
Cash	53,633	222,436
	205,978	500,324
NET CASH INFLOW (OUTFLOW) ARISING ON ACQUISITION		
Cash consideration	(53,633)	(222,436)
Bank balances and cash acquired	26,418	265,255
	(27,215)	42,819

The subsidiary acquired contributed HK$749 million revenue and HK$15 million of profit before taxation for the period between the date of acquisition and the balance sheet date.

During the period since acquisitions, the subsidiaries acquired have contributed approximately HK$40 million (2000: utilised HK$28 million) to the Group's net operating cash flows, contributed approximately HK$157 million (2000: utilised HK$9 million) in respect of financing activities and utilised approximately HK$91 million (2000: HK$26 million) for investing activities.

37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEARS

	Share capital and share premium HK$'000	Other reserve HK$'000	Obligations under finance leases HK$'000	Minority interests HK$'000	Pledged bank deposits HK$'000
At 1 January 2000	1,266,444	–	4,037	54,375	(30,000)
Net cash inflow (outflow) from financing	142,861	–	(1,926)	–	–
Issue of shares for acquisition of additional interest in a subsidiary	277,888	–	–	–	–
Reduction of share premium transferred to distributed surplus	(398,582)	–	–	–	–
Reduction of share premium transferred to accumulated losses	(500,000)	–	–	–	–
Issue of warrants	–	59,573	–	–	–
Arising on distribution	–	12,314	–	–	–
Increase in minority interests upon deemed partial disposal of interests in certain subsidiaries	–	–	–	84,222	–
Increase in minority interests upon acquisition of subsidiaries	–	–	–	124,405	–
Decrease in minority interests upon distribution of shares in CFSG	–	–	–	(103,395)	–
Share of net loss	–	–	–	(39,665)	–
Inception of finance lease contracts	–	–	1,662	–	–
Proceeds received from uplifting of pledged bank deposits	–	–	–	–	30,000
Bank deposits pledged	–	–	–	–	(28,137)
At 31 December 2000 and at 1 January 2001	788,611	71,887	3,773	119,942	(28,137)
Net cash outflow from financing	–	–	(2,256)	–	–
Issue of shares for acquisition of interest in a subsidiary	151,529	–	–	–	–
Share repurchase	(6,670)	–	–	–	–
Increase in minority interests upon acquisition of subsidiaries	–	–	–	28,666	–
Increase in minority interests upon deemed partial disposal of interests in certain subsidiaries	–	–	–	73,490	–
Share of net loss	–	–	–	(27,188)	–
Inception of finance lease contracts	–	–	1,220	–	–
Acquired on acquisition of subsidiaries	–	–	–	–	(8,500)
Proceeds received from uplifting of pledged bank deposits	–	–	–	–	27,133
Bank deposits pledged	–	–	–	–	(34,241)
At 31 December 2001	933,470	71,887	2,737	194,910	(43,745)

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Company acquired 435,132,000 shares of HK$0.10 each in Pricerite at a consideration of approximately HK$152,296,200. The consideration was satisfied by the issue and allotment of 507,654,000 shares of the Company. During the period of the general offers made by the Company, the Company acquired 141,090 shares of HK$0.10 each in Pricerite by issue of 164,605 shares in the Company.

During the year, the Group entered into finance lease in respect of assets with a total capital value at the reception of the finance leases of approximately HK$1,220,000.

During the year ended 31 December 2000, the Company acquired a 8.7% interest in CFSG at a consideration of approximately HK$277,888,000. The consideration was satisfied by the issue and allotment of 463,146,750 shares of the Company.

During the year ended 31 December 2000, the Company distributed 498,123,127 shares of CFSG to the shareholders of the Company by way of distribution in specie, effect of which are set out in note 34 to the financial statements.

39. CONTINGENT LIABILITIES

THE GROUP

(a) At 31 December 2001, the Group has given a guarantee to a bank in respect of general facilities granted to an associate. The extent of such facilities utilised by the associate at 31 December 2001 amounted to approximately HK$18,450,000 (2000: nil).

(b) A subsidiary has been named as a defendant in a court action in respect of the amount of goods supplied to the subsidiary and the interest on the said amount. The subsidiary is resisting the claim by filing a counterclaim on losses arising from unfulfilled delivery of products and delivery of defective products.

No provision for any potential liability has been made in these financial statements as in the opinion of the Directors, the potential liability is not significant.

(c) At 31 December 2001, there were 89 (2000: nil) employees who had completed the required number of years of service under the Employment Ordinance of Hong Kong to be eligible for long-service payments on termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance. If the termination of all these employees' employment met the circumstances required by the Employment Ordinance, the Group's liability at 31 December 2001 would be approximately HK$5,844,000 (2000: nil) for which a HK$585,000 (2000: nil) provision has been made in the financial statements.

THE COMPANY

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31 December 2001 amounted to approximately HK$55,774,000 (2000: HK$121,362,000).

40. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP		THE COMPANY	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Within one year	**94,529**	29,757	**8,155**	15,559
In the second to fifth year inclusive	**157,615**	16,547	**2,269**	10,051
After five years	**10,527**	–	**–**	–
	262,671	46,304	**10,424**	25,610

Operating lease payments represent rentals payable by the Group for its office premises and retail shops. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental based on certain percent of the gross sales of the relevant shop.

41. OTHER COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group and had the following capital commitments:

	2001 HK$'000	2000 HK$'000
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the financial statements	**8,000**	–

(b) Other commitments

At the balance sheet date, the Group had the following other commitments:

	2001 HK$'000	2000 HK$'000
Contracted commitment in respect of advertising expenditure	**7,398**	3,220
Undrawn loan commitment to a borrower	**–**	8,000
	7,398	11,220

(c) Futures

At the balance sheet date, the Group had an outstanding currency futures under which the Group agreed to sell 48,615,500 Japanese Yen (equivalent to HK$2,972,000) for United States dollars at the strike price of 127.57 Japanese Yen against one Untied States dollar.

42. RELATED PARTY TRANSACTIONS

During the year, the Group had the following related party transactions:

(a) The Company acquired 320,000,000 shares of HK$0.10 each in Pricerite from Miliway at a consideration of HK$112,000,000 pursuant to the agreement entered into between the parties dated 9 February 2001. The consideration was settled by the issue and allotment of 373,333,333 shares of HK$0.10 each in the Company. Miliway is ultimately wholly-owned by a discretionary trust established for the benefits of the family members of Kwan Pak Hoo Bankee.

(b) The Group pledged bank deposits of HK$34,000,000 (2000: HK$27,260,000) to secure general banking facilities granted to an associate by a bank, for which no charge is made. At the balance sheet date, the associate had utilised HK$18,450,000 of these banking facilities.

(c) The Group received interest of approximately HK$1,942,000 (2000: 1,316,000) from Suffold, in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. The interest was calculated at commercial rates which were similar to the rates offered to other margin clients.

(d) During the year ended 31 December 2000, pursuant to the placing agreement entered into between the Company and Cash Guardian, the Company issued a total of 479 million of shares at a total consideration of approximately HK$144 million to Cash Guardian.

(e) During the year ended 31 December 2000, the Group acquired a 8.7% interest in CFSG from Cash Guardian at a consideration of approximately HK$277,888,000. The consideration was satisfied by the issue and allotment of 463,146,750 shares of the Company.

43. POST BALANCE SHEET DATE EVENT

On 15 March 2002, the Directors proposed to consolidate 20 existing shares of HK$0.10 each in the Company into 1 consolidated share of HK$2.00 each and to reduce the share capital of a consolidated share of HK$2.00 each to a reduced share of HK$0.10 each. The total amount of reduced share capital of approximately HK$607,464,000 resulted from the capital reduction will be credited to the contributed surplus account. The proposed share consolidation of every 20 issued or unissued existing shares of HK$0.10 each into 1 consolidated share of HK$2.00 each and the proposed capital reduction of a consolidated share of HK$2.00 each into a reduced share of HK$0.10 each are subject to the shareholders' approval in a special general meeting to be held.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements.

RESULTS

	Year ended 31 December				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000 (restated)	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**973,560**	472,836	245,321	158,729	627,685
Discontinued operations	**–**	1,131	–	29,359	90,187
	973,560	473,967	245,321	188,088	717,872
(Loss) Profit before taxation					
Continuing operations	**(437,717)**	(169,430)	89,670	(140,906)	(70,702)
Discontinued operations	**(43,659)**	(208,014)	–	(28,727)	(22,948)
	(481,376)	(377,444)	89,670	(169,633)	(93,650)
Taxation (Charge) credit	**152**	1,428	1,711	142	(16,500)
(Loss) Profit after taxation	**(481,224)**	(376,016)	91,381	(169,491)	(110,150)
Minority interests	**27,188**	39,665	1,567	–	612
Net (loss) profit attributable to shareholders	**(454,036)**	(336,351)	92,948	(169,491)	(109,538)

ASSETS AND LIABILITIES

	At 31 December				
	2001	2000	1999	1998	1997
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property and equipment	**236,453**	119,613	58,249	41,318	102,660
Goodwill	**88,604**	–	–	–	–
Investments in associates	**164,466**	61,155	–	–	–
Investments in securities	**57,000**	175,900	–	–	–
Intangible assets	**14,582**	16,412	–	–	–
Other non-current assets	**96,713**	165,709	51,419	17,436	21,115
Current assets	**1,254,318**	1,379,629	1,673,418	357,363	990,273
Total assets	**1,912,136**	1,918,418	1,783,086	416,117	1,114,048
Current liabilities	**813,906**	603,609	559,535	351,096	1,104,974
Long term borrowings	**749**	1,627	2,570	–	–
Deferred taxation	**–**	–	1,280	1,280	240
Minority interests	**194,910**	119,942	54,375	–	–
Total liabilities and minority interests	**1,009,565**	725,178	617,760	352,376	1,105,214
Net assets	**902,571**	1,193,240	1,165,326	63,741	8,834

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Celestial Asia Securities Holdings Limited ("Company") will be held at Salon 5, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 16 May 2002, Thursday, at 10:00 am for the following purposes:

1. To receive and consider the Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2001.

2. To re-elect the retiring Directors of the Company for the ensuing year, to determine 20 as the maximum number of Directors, to authorise the Directors to appoint additional Directors up to the maximum number and to fix the Directors' remuneration.

3. To re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

4. To consider and, if thought fit, to pass the following resolutions, with or without amendments, as ordinary resolutions:

   A. **THAT**

      (a) subject to paragraph A(c), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

      (b) the approval in paragraph A(a) shall authorise the Directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

      (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

      (d) for the purposes of this resolution:

      "Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

      1. the conclusion of the next annual general meeting of the Company;

      2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

      3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

      "Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).

B. **THAT**

(a) subject to paragraph B(b), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange or on any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares in the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph B(a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

1. the conclusion of the next annual general meeting of the Company;

2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

3. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

C. **THAT** conditional upon resolutions nos.4A and 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in resolution no.4B above be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to resolution no.4A above.

5. To consider and, if thought fit, to pass the following resolution, with or without amendments, as ordinary resolution:

THAT the maximum number of shares which may be issued upon exercise of all options to be granted under the share option scheme(s) of the Company be and is hereby refreshed to not exceeding 10% of the aggregate number of shares in the Company in issue as at the date of the passing of this resolution unless and until such limit is revoked, revised or further refreshed by shareholders in general meeting.

By order of the Board
Joan Elmond O K Kwok
Company Secretary

Hong Kong, 19 April 2002

notes:

1. *A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.*

2. *In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.*

3. *A form of proxy for use at the meeting is enclosed.*

CORPORATE INFORMATION

Board of Directors

Executive:
KWAN Pak Hoo Bankee *(Chairman & CEO)*
LAW Ping Wah Bernard *(CFO)*
KWOK Oi Kuen Joan Elmond
LAW Ka Kin Eugene
LI Yuen Cheuk Thomas
KHOO Ken Wee

Independent Non-executive:
WONG Chuk Yan
CHAN Hak Sin
LEUNG Ka Kui Johnny

Principal Bankers

Wing Hang Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank
Nanyang Commercial Bank, Limited
DBS Kwong On Bank Limited

Solicitors

Richards Butler
Sidley Austin Brown & Wood

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Company Secretary

KWOK Oi Kuen Joan Elmond, *ACIS*

Audit Committee

CHAN Hak Sin
LEUNG Ka Kui Johnny

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

21/F The Center
99 Queen's Road Central
Hong Kong

Registrars and Transfer Office in Hong Kong

Standard Registrars Limited
5/F Wing On Centre
111 Connaught Road Central
Hong Kong

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