our commitment...

CASH Financial Services Group Limited ANNUAL REPORT 2001

characteristics of the growth enterprise market ("GEM") of the stock exchange of hong kong limited ("stock exchange")

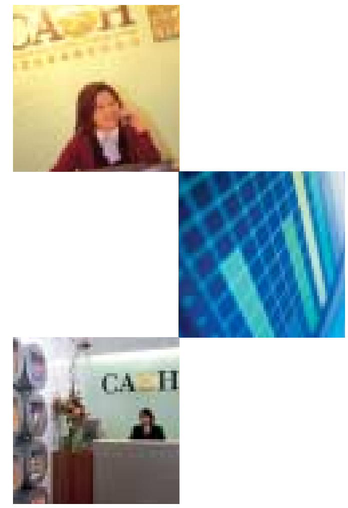
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

contents

corporate profile



CASH Financial Services Group Limited is one of Hong Kong's leading financial services conglomerates. We offer a comprehensive range of premier financial products and services catering to the investment and wealth management needs of our clients in the Greater China Region. We operate one of Hong Kong's prime securities and commodities brokerage, and through alliances with world-class financial institutions, have diversified our product offerings into funds distribution, bond sales and insurance. Firmly in the league of the most active investment banking houses, our fully-fledged investment banking operation serves corporations from all over the region on corporate finance and advisory matters.

We have been actively positioning ourselves to tap opportunities from China's WTO accession. Through alliances, we have set up presence in key locations in China and gained nationwide customer access through our strategic partners.

We are committed to be the financial services house of choice for our clients. Backed by our financial strength, innovativeness, professional management and a technologically advanced infrastructure, we hinge success on the provision of financial products and services that are of the highest possible quality standard.

We are listed on the Growth Enterprises Market of the Hong Kong Stock Exchange and a member of the Hong Kong Main Board listed Celestial Asia Securities Holdings Limited.

The CASH family of listed companies

CASH 時富

Celestial Asia Securities Holdings Limited ("CASH")

Listed on the Stock Exchange
(stock code #1049)

50.08%

CASH
FINANCIAL SERVICES GROUP
時 富 金 融 服 務 集 團

CASH Financial Services Group Limited ("CFSG")

Listed on GEM of the Stock Exchange
(stock code #8122)

66.18%

實惠
PRICERITE
a member of CASH Group

Pricerite Group Limited ("Pricerite")

Listed on the Stock Exchange
(stock code #996)

** shareholding as at 31 December 2001*

dear shareholders,

It is with great pleasure that I am writing to present to you the annual results for CASH Financial Services Group Limited for 2001. Last year was a tumultuous year for any financial institution globally and locally. Yet it was a year of exceptional achievement for us. I have little doubt that in the years to come, 2001 will be regarded as a year of great significance.

CASH on-line Limited began the year as a fledgling albeit well-regarded Internet brokerage and emerged a multi-faceted, multiple products financial institution capable of developing and ultimately thriving in the 21st Century marketplace.

Even before gaining our listing on GEM in 2000, my fellow directors and I foresaw a difficult 2001 for financial services and Internet based businesses. In anticipation for a series of revolutionary changes in the financial services landscape such as the deregulation of interest rate for the banking industry, straight-through processing and new products developed by the Stock Exchange as well as regulatory changes in the securities industries, we worked hard to create a foundation that will put us in good stead for the future.

Aside from the structural changes within the industry, we further anticipated a period of depressed investor sentiment against a declining economic backdrop. Leveraging on our investments in infrastructure and brand building during the past years, our management, led by our deputy chairman Eugene Law and chief executive officer Kenneth Wong began the year with a series of cost rationalisation and product diversification measures.

Product innovation and service excellence remain one of our foremost emphasis, culminating in recognition of achievement from numerous organisations from IDG World Expo (Asia) for IT Excellence to the Next Magazine Award for Service Excellence in the investment category.

It is important to note that 2001 was far from being a year of rationalisation and retrenchment. It was a year of exciting new ventures, of extending our market leadership in established product lines and of building for the future.

One of the highlights was our continuous strength and development in the commodities trading area. While the global securities market plummeted from the tremor created by the 11 September terrorist attacks in the US, our commodities trading services grew from strength to strength.

Another area of note was our venture into the insurance business. Our entry into insurance not only significantly broadened our service offerings but will also enable us to tap into an area that enjoyed encouraging growth even during recent difficulties. Gross premiums of general insurance business in Hong Kong increased by 11.8% to HK$15 billion for the first three quarters of 2001, compared with the corresponding period in 2000. Of even greater interest to us is the sales performance of long-term insurance and long-term investment-linked products. The premiums of new long-term insurance business (excluding retirement scheme business) recorded a remarkable growth of 49.2% to HK$12.1 billion during the first 3 quarters of 2001. Investment-linked individual life insurance business also experienced rapid growth in recent years. In the first 3 quarters of 2001, this product category recorded a growth of 100.9% in new office premiums, amounted to almost HK$6 billion. The number of new policies of the business was 115,661, accounting for more than 16% of the total individual life new business.

A different area we pursued and will continue to do so was cross-selling initiatives with our fellow subsidiary the Pricerite Group. One of the top retail networks with over 40 stores located throughout Hong Kong, Pricerite enjoys unrivalled market penetration among local consumers for lifestyle products. We shall explore and develop means to introduce and distribute value added financial products to Pricerite's significant and growing customer base.

The biggest initiative of course was to create a greater critical mass to further enhance efficiency and to optimise the use of resources; the acquisition of all the traditional financial services businesses from the parent company CASH Group was proposed and was successfully completed during the second half of the year. As a result, our Group 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 to both traditional and electronic based businesses, but also facilitated a considerably more focused management and use of resources. My fellow directors and I are certain that integrating the clicks-and-mortar financial services businesses will enable the Group to thrive and grow in the new business environment and regulatory regime. It also bodes well for the preservation of capital for the Company to endure the current economic difficulties and to prepare for future challenges and opportunities.

To our investors and potential investors, this restructuring will afford greater clarity and differentiation in investment themes. The CASH Group with its own restructuring during the year will move forward as a diversified investment holding company. However, this does not mean that the CASH Group is reducing its commitment to pursue financial services business in the future. Just as the financial sector is a key industry in Hong Kong, our Group will remain a core business within the CASH Group.

I leave Eugene and Kenneth to review all the progress and achievements made during the last year in the next two sections in detail.

This year marks the 30th year that our Chinese brand "時富" has been associated with investment services in Hong Kong. Over the past few years, we transformed the brand from a single product brokerage synonymous with securities services for the retail mass to a sophisticated multi-faceted financial institution that is poised to thrive in the 21st Century.

On behalf of our board of directors, I extend our appreciation to our partners who are integral to our success. Equally key to our rapid development and attainment of our strategic imperatives is our people. I extend our deepest gratitude to them for all their hard work and dedication during these trying times.

Last but not least, I thank our clients who over the years supported and assisted us with their frank suggestions and expectations. Their candour has been, and will continue to be the key drivers behind our product developments and innovations.

It is said that the uprising of the masses implies a fabulous increase of vital possibilities. Moving forward, there will certainly be further challenges as well as new obstacles for the Group. However, I am more confident than ever that we now have the foundation to overcome future challenges and capitalise on new opportunities.

Yours sincerely,

Bankee P Kwan
Chairman

What is your strategy and why do you see product diversification as important to the future development of your company?

We have been serving our clients in their stock-broking business since some thirty years ago, and today we remain one of the most prominent and well-regarded players in the market offering the service. Yet we are diversifying our product offerings. From previously solely a brokerage operation, we have today developed the capability to provide a full range of financial services. Why do we want to do that? Well, that's because clients nowadays are becoming ever the more sophisticated. In order for us to best cater to their investment and wealth management needs, we would like to be in a position where we are able to attend to their full investment spectrum, short-term or long.

This is important because not only would we be able to serve our clients better, we would be able to achieve higher product cross-selling, and that would in turn enhance our scale economies and ultimately our operational efficiency, thereby enabling us to serve our customers even better; and so the story goes. Moreover, we will then not be excessively relying on one single cyclical revenue source so that moving forward, if the market happens not to be benign to us in one area, as in the case of the equity markets of the past year, we will still be able to benefit from the diversification effect of a multiple income stream model.

Kenneth WONG, *CEO*

How do you see the outlook for the securities industry in Hong Kong? Why do you choose to engage your company in the financial services business?

We are certainly positive in Hong Kong or else we would not have been steadfast in developing of our capabilities in financial services. As you know, the Financial Secretary in his 2002 Budget Speech has singled out financial services, together with logistics, tourism, and producer and professional services, as the four pillars of the Hong Kong economy. We share the same optimism with the Financial Secretary. Underneath the big picture, however, we see consolidation within the securities industry looming. The fact of the matter is that the local securities market is over-crowded – over 500 stockbrokers in a relatively small marketplace is certainly high by any comparison, regional or global. Despite the deferral of the removal of the minimum brokerage commission, there are numerous other developments materialising during the course of the year that could trigger a weeding out of marginal players. As much as this structural change poses challenge, we also see it as a unique opportunity for us to further gain market shares and thereby emerge an even stronger player.

What is your vision, and how would you put the company's mission as a significant player in the financial services industry? How do you see your company three to five years down the road?

Our mission is simple and down to earth. We are committed to become the investment and financial services house of choice for our clients. In order to succeed in this fast changing market we know very well that we need to be highly customer-focused, and we need to provide our clients with services of the highest possible quality standard.

We are ambitious and not content to be a mere local player. Leveraging on the foundation of our core competences, we explore the vast potential of the China market with a pragmatic approach. Through a strategy of alliances, we have set up presence in key strategic locations in Beijing, Shanghai and Shenzhen, as well as gained nationwide client access through our strategic partners. This enables us to gear up the deal sourcing ability of our investment banking business in the immediate term, while we develop our expertise and business reach within China over the longer term in line with the anticipated deregulation as promised by China's WTO accession.

In three to five years' time, we see ourselves emerging as a strong regional player, and while maintaining our traditional stronghold in our core securities and commodities competences, providing an increasingly affluent and sophisticated client base in the Greater China region with a full range of investment and wealth management products. Our personalised services will be complemented by a fully-fledged investment banking operation as we serve our corporate clients from all over the region in their corporate finance and advisory matters.

Eugene LAW, *Deputy Chairman*

our commitment ...

to our clients

Our dedication to serve clients' financial needs can be traced all the way back to 1972. As we expand our service offerings and geographical reach, we continue to serve with great care and dedication in our efforts to offer our clients the best services possible.

management discussion & analysis

FINANCIAL REVIEW

Our Group's turnover increased by 102.4% to HK$88.8 million as compared with year 2000. This was largely the result of consolidating incomes from the offline financial services business, which we acquired from our parent CASH Group in September 2001. While the operating environment in 2001 had been an extremely difficult one for the financial industry in general, and the securities broking business in particular, we managed to contain our net operating loss, substantially reducing it by 62.7% to HK$58.6 million. The weak investment sentiment that plagued us during the first three quarters of the year spiralled into a crisis of global proportion due to the 11 September terrorist attacks in the US. Anticipating that the gloomy economic outlook would last for a protracted period, we took pre-emptive precautionary measures to rationalise the Group's business and cost structures. Non-performing businesses and low yield investments were either suspended or discontinued. The ensuing considerable reduction in our operational and administrative expenses was the largest driver behind the successful reduction in our net operating loss.

In the face of depressed market conditions, our business tactics during the year were largely focused on preserving our financial and competitive strength, with a view to ensuring that we remained at the most vantage point to benefit from a market recovery, imminent or distant. Notwithstanding the operating loss and the resulting decline in total net assets to HK$179.1 million as at 31 December 2001, we remained financially strong and our capital adequate. Our cash and bank balances were prudently maintained at a healthily high level, totalling HK$477.9 million on 31 December 2001. Not only had this ensured that we would be in the strongest position to meet client obligations, it helped us weather the adverse economic climate. At the end of the year, the ratio of current assets to current liabilities was 1.31, reflecting adequate liquidity coverage.

Our total bank borrowings on 31 December 2001 were HK$134.8 million, which were drawn to finance increased securities margin financing to our clients. These bank borrowings were collateralised by our margin clients' securities assets pledged to us in turn by them for the purpose of securing their financing from us. Apart from these, which were largely of a back-to-back nature, we had no other bank borrowings as at the end of the year as we exercised prudence to ensure that our financial resources would not be in any way strained.

On 28 September 2001, a convertible note with a principal amount of HK$438.0 million was issued to the CASH Group for the acquisition of its offline financial services business. As at 31 December 2001, the outstanding amount of convertible note was HK$261.0 million. The maturity of the note was 31 December 2006, with no provision for the note holder to demand early repayment. Inclusive of the note liability, our ratio of interest bearing borrowings to shareholders' equities was 2.2 on 31 December 2001. Insofar as that the note was a medium-term liability to our parent group, with the remainder of our liabilities being predominantly of a back-to-back nature, our gearing had been effectively maintained at a conservatively low level.

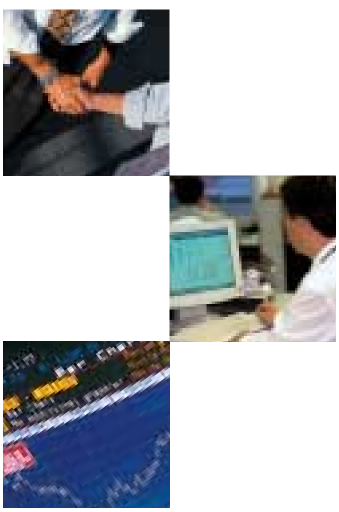
our commitment ...

to provide broad service offerings

Our clients' investment and wealth management needs are diverse and complex. To service their constantly evolving needs, we transformed ourselves into a full service financial institution. From our fully-fledged investment banking business to institution sales, from securities to commodities trading, from insurance to funds distribution, we back our services with experienced professionals.

As of the end of the year, our Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Cash deposits of approximately HK$1.3 million were pledged to secure general banking facilities granted to two subsidiaries for a bank guarantee and a foreign exchange forward contract. Save as aforesaid, there were no other material contingent liabilities.

BUSINESS REVIEW



The year began with concerns over the US economy dulling investor appetites. Compounding the difficulties created by the unfavourable market sentiment, the level of competition increased significantly with the introduction of formidable competitors in the online stock broking sector. To solicit clients and to build critical mass, these multinational competitors reapplied the formulaic aggressive advertising expenditure and steep price cut initiatives that served them well in other markets. Nevertheless, our previous investment in automation and branding helps maintain our competitive position. As a result, the number of ultimate customers grew by 17% during the first quarter of 2001.

Consequently, we enjoyed revenue growth of over 40.1% from just over HK$5.9 million to HK$8.3 million for the first quarter of 2001, compared with the corresponding period in 2000. This is mainly attributable to the increase in the number of clients, launch of new products such as commodities and margin financing and a stable organic growth in our core businesses.

As the second quarter unfolded, the operating environment for the brokerage industry became increasingly difficult. We began to face intense competition from banks as they promoted fee-based services such as securities brokerage service in response to the interest rate deregulation in April.

Brokerage commission discounts and cash giveaways by our brokerage competitors became their mainstay for survival. We continued to enjoy steady growth in our client base with a 26% increase by end of the first six months, compared with the beginning of the 2001. More critical was the healthy active account ratio of close to 50%. Nonetheless, the unfavourable market environment resulted in a decrease in turnover to HK$19.5 million during the first half of the year from HK$27.9 million for the corresponding period in 2000.

We refrained from resorting to cost of sales items such as commission discounts or rebates, and overly aggressive incentive schemes or loyalty programmes to attract new clients or to retain existing ones. Instead we continued to compete via continuous product developments and service enhancements to deliver efficient and innovative electronic trading services. As a result, even with the dire market environment precipitating in a decrease in turnover, our efforts rewarded us with a respectable gross profit margin of over 65% at HK$12.6 million during the first half of the year.

our commitment ...

to serve

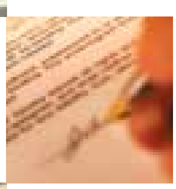
We believe good customer services and support go hand-in-hand with product innovation to create persuasive financial services offerings that will keep the increasingly discerning customers satisfied.

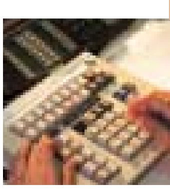
The premium from good branding investment does not disappear over the short-term even with a significant reduction in advertising expenditure. We reduced our advertising and promotion expenditure from over HK$114.0 million to just over HK$13.2 million over the same period while continuing to enjoy a high level of consumer awareness and preference based on our on-going research.

Nonetheless it was clear to us that the prospect for growth as a pure electronic services provider in the Hong Kong market is limited. Hong Kong's unique market infrastructure meant that widespread acceptance of Internet-based service, especially in the area of securities trading, is unlikely in the short- to medium-term. Furthermore, despite our concerted effort to rationalise costs and to enhance our operating efficiencies, a significantly enlarged client base would considerably enhance our yield from our investments in systems infrastructure.

What we needed was a traditional business with a client base sizeable enough to put our systems capacity to good use as well as one that is prepared to embrace and employ our rapid product development and deployment capabilities. As a result, in June, together with the CASH Group, we proposed to our respective shareholders to merge the online and traditional financial services businesses.

This proposed merger entailed the acquisition of the traditional financial services business group from our parent holding company for a consideration of HK$438.0 million via the issuance of a convertible note. We share the view that only operating as an integrated "brick-and-mortar" operation would the financial services business reap the benefits of economies of scale as well as eliminate unnecessary duplications in infrastructure, human and capital resources. It would also enable the merged group to tap the broadest possible audience with more compelling product offerings. As an integrated whole, it would put us ahead of our securities brokerage competitors and onto a more level playing field to fend off encroachment from banks.





The third quarter of 2001 saw continuous and significant decline in the global economy and financial markets. Our investment in building our real time automated credit and risk control modules meant that save from the decline in business volume from the market turmoil created by the terrorist attacks on 11 September 2001 in the US, we did not suffer any other material losses. Furthermore, this credit module, which is integral to the electronic commodities trading service, placed the Group in a unique position to benefit from the switch in investor interests in equities to commodities. The commodities trading service enjoyed a 45% increase in revenue over the previous quarter.

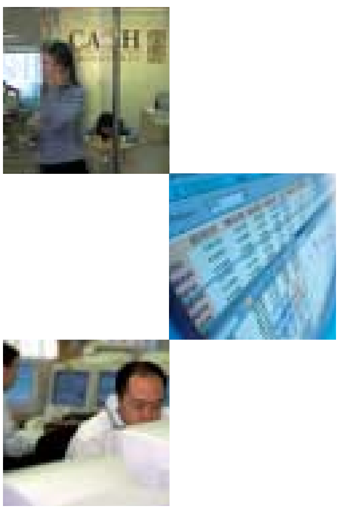
Nonetheless, the repercussions of the 911 Incident ranged far and wide. It impacted upon the debt servicing ability of a growing number of people that is evidenced by the record number of personal bankruptcies filed during 2001. Through our increased monitoring of our clients' credit risks and profile, we made provisions for those clients who began to show signs of difficulties with meeting their financial obligations.

our commitment ...

to deliver innovative solutions

From our inception as the electronic securities trading arm of the CASH Group, developing new ideas and new products and deploying them through the use of the latest technology have been core to our very being.

By the end of September, we received consent from the relevant regulatory bodies as well as shareholders of the CASH Group and our Group to proceed with the proposed merger. Completion of the acquisition took place by the end of September. Subsequently, our client base enlarged substantially with the number of accounts expanding from 26,141 to 31,031 whereas our front line personnel including customer services officers, and sales account executives declined from 199 to 175. Furthermore, the number of back office and support services staff decreased from 347 to 271.



Upon the completion of the acquisition, we also acquired nine trading rights in the Stock Exchange with Stock Exchange participantship, two trading rights in the Hong Kong Futures Exchange with the Futures Exchange participantship as well as licenses to act as investment advisor, securities dealers, commodities dealers and securities margin financier. To better reflect our new strategic direction, a change in name to CASH Financial Services Group Limited was proposed to shareholders and was passed on 8 October 2001.

Putting Service First

In addition to developing world-class systems and infrastructure, we also invested in the development of our human resources, in particular in the area of customer services and support. Our belief is that product innovation goes hand in hand with good customer service if we are to create persuasive financial services offerings that will grow our customer base, maintain customer loyalty and in so doing, enable us to enjoy a robust fee structure at a premium over less inventive and service oriented competition.

To achieve this, we committed and expended a significant amount of time and professional resources towards staff development and training. During 2001, on top of the 1,200 hours of Continuous Professional Training required by the Securities and Futures Commission ("SFC"), we conducted a total of over 3,000 hours of additional training in finance and product knowledge, soft skills such as customer services and problem solving, language skills in particular Putonghua, and knowledge in other non-financial regulations and ordinances. This figure also excludes the training committed to and invested in the development our future managers and leaders in the form of our Management Trainee programme that totalled over 10,000 training hours.

Our ability to launch new and innovative product together with enhancements in our service quality through staff development rewarded us with increasingly convincing and competitive service offerings. We would have been hard pressed to maintain, let alone grow, our client portfolio when all our online competitors resorted to deep fee cuts and discounts. We were further rewarded with a 75% reduction in the number of complaints and customer suggestions we received via our Customer Complaint channels and Compliance Division to only 24 last year. In addition to enjoying these business benefits, we became the first company to be awarded the prestigious "Top Service Award 2001" in the investment category by Next Magazine.

our commitment ...

supported by world-class partners

To keep pace with rapid developments and to deliver the best services possible, from Microsoft on the technology side to Aon for insurance services and others, we leverage on the global reach and capabilities of our premier partners; and we take pride in their recognition for our efforts.

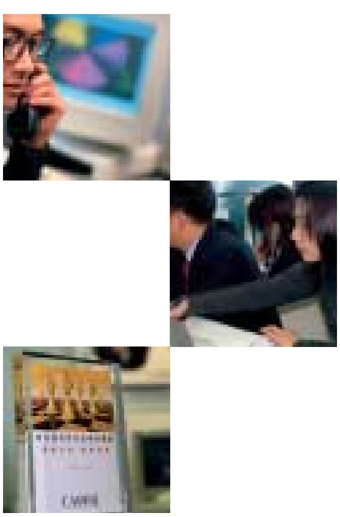
We supported our staff development initiatives with our emphasis on work experience, competence and most importantly, individual performance. As at 31 December 2001, our Group had a work force of 268 employees, all of whom are motivated to perform through discretionary performance bonus and share options on top of their basic salaries and MPF scheme contributions as well as various benefits such as staff medical scheme.

Diversified Capabilities

The successful launch of our Hong Kong securities execution services for ICBC (Asia) and SinoPac Securities of Taiwan marked our efforts to broaden our revenues from providing only electronic personal investment services to delivering institutional financial services. These B2B or institution execution services significantly enhanced our ability to extract further value from our well-developed infrastructure.

With the merger in place, our Group further gained a significantly enlarged range of capabilities. Our investment banking business grew rapidly during the year. Beginning the year with gaining permission from the Stock Exchange to sponsor GEM listings in addition to Main Board listings, the Investment Banking Group quickly made its mark in the market place with active participation in 27 transactions, six of which were as sponsor and another eight as lead-manger. Aside from the profitable but cyclical transaction based services, the Investment Banking Group also enjoys a growing portfolio of retainer fee based Shareholder Value Enhancement Programme clients that contribute a more steady revenue stream.

We also obtained a whole new range of core competence and sales infrastructure from the merger from a well-established branch network to a fully-fledged Research Department to an Institutional Sales Team.



Although our electronic services offered a growing range of international commodities trading services, our market leadership has always been Hong Kong based. After the merger, we further gained their well-developed expertise and client base in the international commodities trading arena through the traditional sales force that includes a fully-fledged Japanese Commodities Sales Team.

Tapping into experiences and work done on creating an insurance and funds distribution business, we created a small team of product specialists in September to distribute unit-linked insurance products in both Hong Kong and overseas. Long-term investment oriented products with life insurance elements are gaining rapid market acceptance. According to a 2000 survey conducted by Swiss Re, the premium per capita for Hong Kong of around US$893 was high against the world average of around US$240. Nonetheless there may still be substantial room for growth when we compare local consumption against other developed markets such as the US and the UK that enjoyed per capita consumption of over US$1,600 and US$3,000 respectively. To date, we have already reached distribution agreements with multinational service providers such as Royal Skandia, Generali, Hansard International, Clerical Medical Insurance, Scottish Provident International, and Eagle Star Life International.

our commitment ...

recognised

Our customer focused efforts are further reassured by our ever growing client base as well as our continuously receiving acknowledgements and accolades for our work in numerous domains, from technology to customer servicing.

Leadership Through Innovation

We maintained our efforts to develop our IT infrastructure as well as to create and offer an ever-broadening range of products to our clients last year. We launched our real time, fully automated T+2 settlement services for electronic cash securities accounts in Hong Kong in February 2001. The first of its kind offered in Hong Kong, this is a logical and cost effective evolution of our real time credit management module developed for the margin trading services launched last year. We have little doubt that this form of product innovation was instrumental in enabling us to compete and grow in the electronic securities sector and maintaining a fair and reasonable fees structure.

We also took our first step to offer our customers the benefits of international securities trading with the launch of our US and B Share stocks trading platform in June 2001.

Capitalising on our experience in mobile commerce gained from developing the SmarTrade with SmarTone, we extended our mobile trading platform by launching our straight through WAP trading platform with two of the largest mobile telecommunications operators, PCCW Mobility Services and Hutchison OrangeWorld.

We further synchronised our mobile trading platforms with our Internet trading platforms. This empowers our clients to invest in multiple financial products via the widest possible selection of electronic devices and transaction channels.

Our development in the commodities trading front did not stand still. To consolidate our market leadership on the electronic commodities trading front, we launched our new straight-through PDA commodities trading service in May 2001, through which trading orders are directly routed to Hong Kong Futures Automated Trading System of the Futures Exchange.

Through our partnership with Aon Insurance Group, a US based insurance powerhouse as well as the largest insurance group in Asia; we launched e-Surance through our personal financial web site, **www.e-finance.com.hk** in April 2001. e-Surance is the first online insurance service in Hong Kong that is backed by an established, world-class industry player whose experts pre-screen plans and offers advice to assist customers with the selection of the most appropriate scheme. It delivers professionally selected value-for-money insurance plans, a "click-and-mortar" payment system, online insurance management system, and easy-to-use insurance dictionary.

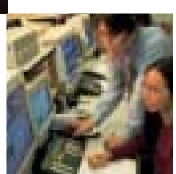
During the same period, we launched e-Fund, our new unit trust trading services as part of the ongoing programme to deliver a broader range of personal investment products and tools. Our clients can choose from over 150 SFC approved funds issued by nine fund houses.

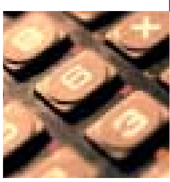
our commitment ...

backed by the CASH Group

Backed by our parent's financial strength and the breadth and depth of its resources, from in-house technology solutions to enlarged retail level presence via our sister company, Pricerite, we are in a propitious position to excel in our pursuit to become the financial services house of choice for our clients.

Subsequent to the launch of e-Fund and e-Surance, we reviewed both our **www.e-finance.com.hk** and **www.cashon-line.com** websites. Our e-finance website was conceived as a vehicle for us to create a one-stop shop financial services Internet marketplace to support the single product offering through our In-Trade Internet stock trading service. With the timely completion of both our e-Surance and e-Fund transaction services, we accelerated the incorporation of both websites into one to enable us to focus on our transactional services development capabilities by one year as stated in our listing prospectus. The merging of our website took effect in November 2001.





On 9 October 2001, we launched our co-branded VISA card program with the Bank of East Asia. We envision our VISA card to play an increasingly important role in enlarging our client base, broadening our financial services range and revenue streams as well as a device to further enhance our CASH Point customer loyalty program.

With the successful acquisition of the Pricerite Group by the CASH Group, we began a series of initiatives to look into cross-selling and marketing opportunities through Pricerite's store network. Incorporation of value added financial services and distribution of financial products via partnerships between retailer networks and financial institutions is already a well tested and rapidly growing business model elsewhere. While current regulatory framework for the securities and insurance industries does not facilitate the rapid adoption and our deployment of this business model, we are committed to continuously explore means to tap the geographic coverage and the leading market penetration of the Pricerite store network for our personal financial products. The first cross-selling initiative began in August 2001 with a two-week road show at the Taipo store of Pricerite.

OUTLOOK

A New Beginning

With our significantly stronger foundation, our mission for the future is to become the investment services house of choice for a selected base of customers in the mid to high end segment by delivering a broad range of innovative financial products via the best possible customer service.

In the short-term, we will maintain our focus to enhance efficiency and strict cost control to preserve capital amidst the still challenging market situation.

We will focus our attention to develop a motivated, sales oriented sales force to capitalise on our proven core competence to develop new and innovative products as well as improving our service quality and client support.

We will explore cost effective means to grow our personal financial services client base via our VISA card program as well as cross-selling opportunities with our fellow subsidiary Pricerite.

our commitment ...

to grow

We are leaner and stronger then ever. Leveraging on the solid foundation we have created, we embark on our journey to become a regional financial institution as we make our first venture into China by utilising our ability to form enduring and successful partnerships.

While investment products such as securities and commodities trading services will remain our core business, the ability to deploy multiple products is already one of our key focus and we are committed to growing and developing our other investment products such as insurance and funds distribution to reduce reliance on a single and cyclical income stream until we have created a healthy balance from a more diversified revenue streams.

We are committed to growing and developing our corporate and institution business focusing on further execution services for other financial institutions, institution sales and investment banking business.

We have already begun work to tap into the vast potential offered by the accession of China into the WTO. China has already shown its effort to further open its market to catch up with international players such as tapping Hong Kong business talents through recruitment fairs. While there still remain many hurdles for foreign-owned corporations, the gradual pace of deregulations is visible, and behind the challenges lays plentiful opportunities and possibilities. Our approach will be persistent but cautious. We will realise our intention to tap into the China market via leveraging on foundation and alliances built by the CASH Group as well as our sister subsidiary Pricerite. Our initial foray into the China market will leverage on our increasingly capable Investment Banking Group and develop it into an importer of overseas investment funding for mainland based private enterprises. We will tap into our ability to form enduring and profitable partnerships by forming strategic alliances with our mainland counterparts.

Moving forward, daunting challenges lie ahead. The first half of this year will continue to be difficult, although improving market conditions of late have begun to buttress hope for recovery in the second half. While the removal of the minimum brokerage commission has been deferred, there remain numerous regulatory and infrastructure challenges to overcome: from the Hong Kong Exchanges' proposed extended trading hours, to the proposed revision in FRR rules as well as the Composite Bill coming into effect during the course of 2002. This changing regulatory landscape will prove to be taxing on market participants' resources and entail that only the fittest survive in an ensuing consolidation in the marketplace. Challenging as it may, we nonetheless look at it as a unique opportunity for us to gain market shares and emerge as a stronger player, capitalising on the solid infrastructure foundation we have laid.

We enter this year substantially leaner but stronger. Our core competences and distribution channels are now significantly more diversified. Our product range as it stands is as broad as possible for a non-bank financial institution. This allows us to focus on product enhancement and further utilisation of our core competences in the future.

progress of attaining business objectives

In compliance with the rules of GEM, the following sets out a summary of the actual business progress as measured against the statement of business objectives set out in the listing prospectus of the Company dated 13 December 2000 for the period from 1 January 2001 until 31 December 2001 ("Review Period").

Business objectives for the Review Period as disclosed in the prospectus	Actual business progress for the Review Period
Business development	
Provide direct online brokerage services as a registered dealer	Instead of migration of online brokerage customers from CASH Group to the Group as described in the prospectus, in late June 2001, the Group announced that it would acquire the financial services business from CASH Group which acquired assets would include the required trading rights in the respective Exchanges and all necessary licenses with the SFC. The merger of the online and offline financial services was successfully completed on 28 September 2001. Through the acquisition, the Group has acquired nine trading rights in the Stock Exchange with the Stock Exchange participantship, two trading rights in the Futures Exchange with the Futures Exchange participantship as well as the SFC licences to act as investment advisor, securities dealer, commodities dealer and securities margin financier.
Launch T+2 settlement services	The T+2 settlement services for online securities brokerage was implemented on 16 February 2001.
Form strategic alliances to broaden content coverage	Inclusion of contents from **www.newone.com.cn** operated by China Communications Securities and **www.aastocks.com** as content partners to support the content requirement for the Groups' China B-Shares and US securities trading services.
Launch new online investment products	Trading in unit trust via the e-Fund trading platform of the Group has begun since 7 May 2001 and the sales of online insurance products on **www.e-finance.com.hk** since 9 April 2001. Launched e-Surance through the Group's personal financial web site **www.e-finance.com.hk** in April 2001.
Extended securities trading services to the trading of international stocks	Cross-border electronic trading was launched on 28 June 2001 to trade in China B shares and stocks listed in the US.

Business development continued

Development and sales of contents	Launched the lifestyle channel on **www.e-finance.com.hk** including **www.auto-one.com.hk.** Began delivery of financial contents to **www.msn.com.hk** financial channel.
Develop into a one-stop financial house	**www.e-finance.com.hk** was merged with **www.cashon-line.com** on 2 November 2001 as one portal under the website **www.cashon-line.com** with an aim to become a one-stop financial house.
Launch eCRM programs	The IVRS module of the eCRM infrastructure successfully launched during the first quarter of the year. Furthermore, through the CASH Point loyalty programme, continuous consumer preference research was conducted on a monthly basis.
Launch television set-top box trading services	Launch deferred due to delays in the launch of Pay TV services in Hong Kong.

Sales and marketing

Focus more on electronic channels to perform its sales and marketing envisaging the wide usage of Internet	Distribution of financial content to significant Internet portals such as **www.msn.com.hk** to gain exposure and access to the largest possible subscriber bases in Hong Kong.
CASH Point loyalty program	CASH Point loyalty program was introduced to registered members of **www.e-finance.com.hk** on 9 April 2001. Further enhanced with the launch of VISA card program.
Review and evaluate the electronic marketing tools to achieve customised and personalied marketing solution	With the merger, both clicks-and-mortar solutions are under review with the significantly enlarged client population and demographic mix.

Technology enhancement

Research and evaluate the latest version of XML, GPRS and Bluetooth technologies for mobile and internet trading and transaction applications	Continuous research and development as witnessed by the launch of the WAP trading platforms with PCCW Mobility Services and OrangeWorld.
Research and evaluate set-top box technologies for the adoption of web televisions	Continuous monitoring and research to enable the Group to provide television set-top box services when Pay TV services mature.

directors' profile

EXECUTIVE DIRECTORS

Bankee Pak-hoo KWAN, *Chairman, 42, MBA, BBA, FFA, CMP(HK), MHKIM, MHKSI*
Mr Bankee Kwan joined the Group at its establishment. He is the substantial shareholder of the Company and the chairman of CASH and Pricerite. Mr Kwan has extensive experience in corporate management, strategic planning, marketing management, financial advisory and banking. Before joining the Group and CASH, 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.

Eugene Ka-kin LAW, *Deputy Chairman, 41, BA, MHKSI*
Mr Eugene Law joined the Group at its establishment. Mr Law is also an executive director of CASH. Mr Law has extensive experience in stockbroking, financial research, investment advisory, strategic planning and business management. Before joining the Group and CASH, he held senior management positions in a number of regional stockbroking firms.

Kenneth Kin-yick WONG, *CEO, 44, MBA, BASc*
Mr Kenneth Wong joined the Group on 2 May 2000. Mr Wong has extensive experience in the banking and finance field. Prior to joining the Group, he held senior management positions in a number of top-tier global financial institutions where he was responsible for overseeing the development of various business areas within the Greater China region, gaining vast professional knowledge in credit, capital markets, and commercial and institutional banking.

Felix Wen-hao MIAO, *Deputy CEO, 39, BSc*
Mr Felix Miao joined the Group on 10 January 2000. Mr Miao has extensive experience in marketing, investor and financial relations in the financial market. Before joining the Group, he was the managing director of the Hong Kong operation of the largest international public relations company as well as a financial relations and privatisation marketing consultancy firm. He also held senior executive positions in various communications related companies.

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

Mr Bernard Law joined the Group at its establishment. He is also an executive director of CASH and Pricerite. Mr Law has extensive experience in financial management and accountancy. Before joining the Group and CASH, he served as finance director and group financial controller for several Hong Kong listed companies and corporations.

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

Mr Ken Khoo joined the Group at its establishment. He is also the CEO of the technology division of CASH and an executive director of CASH and Pricerite. Mr Khoo has extensive experience in corporate finance and investment banking. Before joining the Group and CASH, 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.

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

Ms Joan Kwok joined the Group at its establishment and was appointed to the Board on 16 October 2001. She is also the Company Secretary of the Company and an executive director and the company secretary of CASH and Pricerite. Ms Kwok has extensive experience in the company secretarial profession, corporate finance and corporate development. Before joining the Group and CASH, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Raymond Chiu-ping CHIANG, *Independent Non-executive Director, 51, PhD, BBA*

Professor Raymond Chiang joined the Independent Board on 30 October 2000. He 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 a director of the Hong Kong Securities Institute. He is also a member of the Audit Committee of the Company.

Simon Kwong-chi WONG, *Independent Non-executive Director, 50, MBA, BSc*

Mr Simon Wong joined the Independent Board on 30 October 2000. He has extensive experience in the banking, manufacturing and direct investment industries and is an executive vice president and a director of a fund management company engaged in private equity investment in China and South East Asia. Mr Wong is an executive committee member of the Young Industrialists Council Limited. He is also a member of the Audit Committee of the Company.

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.

CHANGE OF NAME

Pursuant to a special resolution passed at the special general meeting held on 8 October 2001, the name of the Company was changed from CASH on-line Limited to CASH Financial Services Group Limited.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group is financial services which consist of (a) online and traditional brokerage and trading of securities, futures, commodities and options, (b) margin financing, (c) corporate finance, (d) online and offline distribution of funds and insurance products, and (d) other product developments.

RESULTS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 39 of this Annual Report.

FINANCIAL SUMMARY

A summary of the audited results of the Group for the period from 11 November 1998 (the date of incorporation of CASH on-line Limited (formerly CASH on-line, Inc) ("COL"), the then holding company of the Group prior to the group reorganisation) to 31 December 1998 and the three financial years ended 31 December 2001 is set out on page 70 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 13 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the financial statements.

CONVERTIBLE NOTE

On 28 September 2001, the Company issued a redeemable convertible note of principal amount of HK$438,000,000 to Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of CASH. The convertible note is convertible into shares of HK$0.10 each in the Company at the initial conversion price of HK$0.15 per share. The convertible note bears an interest rate of 2% per annum from the date of issue to the final date of repayment on or before 31 December 2006. The Company has the right to repay early part or all of the principal amount of the convertible note. During the year, the Company has redeemed part of the convertible note of a total principal amount of HK$177,000,000. As at 31 December 2001, the outstanding amount of the convertible note was HK$261,000,000. The convertible note was issued as a consideration for the acquisition of traditional financial services business, details of which are set out under the heading of "Connected Transactions" below.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements.

As at 31 December 2001, the Company's had no reserves available for distribution to shareholders.

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

Transaction entered into during the year

Acquisition of financial services business ("Merger")

On 28 June 2001, the Company entered into an agreement with CIGL 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 the Company at a consideration of HK$438,000,000. The consideration was settled by the issue of a redeemable convertible note as described above under the heading "Convertible Note". The transaction was a connected transaction of the Company as CIGL is an associate of CASH, the substantial shareholder of the Company. The transaction also constituted a major transaction of the Company. The details of this connected transaction were set out in the Company's circular dated 13 August 2001. This transaction was approved by the shareholders in a special general meeting held on 31 August 2001 and completed on 28 September 2001.

Transactions entered prior to the year under review

The following transactions of the Group entered with CASH Group were in effect and operated during the year and constituted connected transactions of the Company which were required to be disclosed in this Annual Report.

(A) Non-exempt continuing connected transactions

(a) Broking and trading service agreements between the Group and the CASH Group

(i) On 1 January 2000, an agreement, as amended, was entered into between COL, a wholly-owned subsidiary of the Company, and Celestial Securities Limited ("CSL"), a wholly-owned subsidiary of FSG and CASH at the date of the agreement, pursuant to which COL agrees to provide or procure its subsidiary(ies) to provide the platform facilities which allow electronic securities dealing instructions to be given to CSL via the Internet or mobile phones. On 10 December 2000, this agreement was amended to include an additional service by COL which will enable instructions to be given to CSL via any electronic means including personal digital assistants ("PDAs"). CSL agrees to provide to the Group trading services, including dealing in and settlement of the securities in Hong Kong, recording and accounting for the transactions to the Group to complement the platform facilities. Such services as a whole will be provided to CSL's online brokerage clients who have access to their trading account through Internet or mobile phones or PDAs. In this connection, CSL agrees to pay to COL or its subsidiary service fees which are equal to 100% of the total brokerage commission received by CSL from its online brokerage clients for the services rendered by COL and COL agrees to pay or procures its subsidiary to pay to CSL service fees which are equal to 20% of such service fees received for the trading services provided by CSL which complement the entire online brokerage facility. This agreement came into force on 1 January 2000 and shall continue until terminated at any time by a written notice to the other party to this agreement.

(ii) On 1 January 2000, an agreement, as amended, was entered into between COL and Celestial Commodities Limited ("CCL"), a wholly-owned subsidiary of FSG and CASH at the date of the agreement, pursuant to which COL agrees to provide or procure its subsidiary(ies) to provide the platform facilities which allow electronic commodities dealing instructions to be given to CCL via the Internet or mobile phones. On 10 December 2000, this agreement was amended to include an additional service by COL which will enable instructions to be given to CCL via any electronic means including PDAs. CCL agrees to provide to the Group trading services, including dealing in and settlement of the commodities in Hong Kong, recording and accounting for the transactions to the Group to complement the platform facilities. Such services as a whole will be provided to CCL's online brokerage clients who have access to their trading accounts through Internet or mobile phones or PDAs. In this connection, CCL agrees to pay to COL or its subsidiary service fees which are equal to 100% of the total brokerage commission received by CCL from its online brokerage clients for the services rendered by COL and COL agrees to pay or procures its subsidiary to pay to CCL service fees which are equal to 20% of such service fees received for the trading services provided by CCL which complement the entire online brokerage facility. This agreement came into force on 1 January 2000 and shall continue until terminated at any time by a written notice to the other party to this agreement.

(iii) On 1 January 2000, an agreement was entered into between COL and CSL pursuant to which COL agrees to provide or procure its subsidiary(ies) to provide the platform facilities which allow electronic securities dealing instructions to be given to CSL for its house clients who register to trade only via the telephone lines. CSL agrees to provide to the Group trading services, including dealing in and settlement of the securities in Hong Kong, recording and accounting for the transactions to the Group to complement the platform facilities. In this connection, CSL agrees to pay to COL or its subsidiary service fees which are equal to 100% of the total brokerage commission received by CSL for the services rendered by COL and COL agrees to pay or procures its subsidiary to pay to CSL services fees which are equal to 50% of such service fees received for the trading services provided by CSL which complement the entire online brokerage facility. This agreement came into force on 1 January 2000 and shall continue until terminated at any time by a written notice to the other party to this agreement.

The service income received by the Group and the service charge paid by the Group for the period up to completion of the Merger under the above agreements (i) to (iii) amounted to HK$28,040,000 and HK$8,904,000 respectively for the year ended 31 December 2001.

(b) Payment gateway services

On 10 December 2000, the Company entered into an agreement with CASH whereby all members of the Group will have access to payment gateway services (being electronic settlement services) which were put in place between the then subsidiaries of FSG and CASH and independent banks or other financial institutions. Transaction costs charged by the independent third party in respect of transactions by the Group will be reimbursed, at cost, by the Company to CASH. The payment gateway services are provided by CASH Payment Services Limited

The transaction costs reimbursed by the Company to CASH under the agreement for the year ended 31 December 2001 was approximately HK$25,000.

The Independent Non-executive Directors had reviewed the connected transactions (a) and (b) above and in their opinion, these transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Subsequent to the Merger whereby FSG became a wholly-owned subsidiary of the Company, the above transactions either became not applicable or did not continue to constitute connected transactions for the Group.

(B) Other connected transaction

Sub-lease of office premises

On 10 December 2000, the Company entered into a sub-lease agreement with CASH as lessor whereby a sub-lease was granted to the Company for the use by the Group as office premises at several units at The Center, 99 Queen's Road Central, Hong Kong. The sub-lease covers various units within the Group's premises and different units expire on different dates up to 25 February 2003 with an option to renew for another term of three years subject to the renewal of the lease of the relevant unit between CASH and the head landlord and the head landlord's approval to the renewal under the sub-lease. The different expiry dates are coterminous with the leases signed by CASH and the head landlord of those premises, who is an independent third party. One of the leases signed by CASH and the head landlord of those premises expired in mid of the year and the relevant units had been surrendered to the head landlord upon expiry. The rate charged by CASH to the Company was at the same effective rental charges charged to CASH by the head landlord with reference to the floor area occupied by the Group exclusive of rates, government rent, management fee and utilities charges. In connection with the sub-lease, the Company had provided a guarantee and indemnity to the head landlord in respect of rental payments due from CASH to the head landlord in respect of payments relating to those units sub-leased by CASH to the Company.

The aggregate rental payable by the Company to CASH under the sub-lease was approximately HK$3,202,000 for the year ended 31 December 2001.

MAJOR CUSTOMERS AND SUPPLIERS

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

The Group had no major suppliers due to the nature of principal activities of the Group.

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 Ka Kin Eugene
Wong Kin Yick Kenneth
Miao Wen Hao Felix
Law Ping Wah Bernard
Khoo Ken Wee
Kwok Oi Kuen Joan Elmond (appointed on 16 October 2001)

Independent Non-executive Directors:

Chiang Chiu Ping Raymond
Wong Kwong Chi Simon

In accordance with Bye-law 87(1) 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.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Ms Kwok Oi Kuen Joan Elmond shall retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

The Independent Non-executive Directors have no set term of office but are subject to retirement by rotation in accordance with the Company's Bye-laws.

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 34 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$3,383,000 and HK$507,000 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 rule 5.40 of the GEM Listing Rules were as follows:

1. Interest in shares or debentures

A. The Company

Interests in ordinary shares

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

* 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 Limited ("Cash Guardian") and as to 29,467,855 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, Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

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

(a) Interests in CASH

Ordinary shares

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

* The shares are held as to 2,532,017,154 shares by Cash Guardian and as to 668,208,383 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial Shareholders" below.

Warrants carrying rights to subscribe for shares of HK$0.10 each in CASH at a subscription price of HK$0.65 each (subject to adjustment) during the period from 20 July 2000 to 31 July 2002 (both days inclusive)

Name	Amount of warrants beneficially held Personal (HK$)	Other interest (HK$)
Kwan Pak Hoo Bankee	–	159,976,285.30*
Law Ka Kin Eugene	162,500.00	–
Law Ping Wah Bernard	3,526,238.30	–
Khoo Ken Wee	1,950,000.00	–
Kwok Oi Kuen Joan Elmond	260,000.00	–

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

(b) *Interests 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 CASH. 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:

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
Wong Kin Yick Kenneth	26/3/2001	–	20,000,000	20,000,000	1/10/2001 - 30/9/2004	0.11
Miao Wen Hao Felix	26/3/2001	–	15,000,000	15,000,000	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
		–	80,000,000	80,000,000		

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 option was exercised, lapsed or cancelled during the year.

(4) The fair value of the options granted to the Directors during the year totalled approximately HK$944,000. The assumptions in arriving the fair values of the options are disclosed in the notes to the section under the heading "Share Option Scheme" below.

B. Rights to acquire shares in CASH

Pursuant to the share option scheme of CASH, 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 CASH.

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

Name	Date of grant	Number of options outstanding as at 1 January 2001	lapsed during the year	outstanding as at 31 December 2001	Exercise period	Exercise price per share (HK$)
Kwan Pak Hoo Bankee	4/10/1999	40,000,000	–	40,000,000	8/4/2000 - 7/4/2002	0.59
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
	1/6/2000	10,000,000	–	10,000,000	1/12/2000 - 30/11/2002	0.35
	6/11/2000	10,000,000	–	10,000,000	16/5/2001 - 15/5/2003	0.27
Wong Kin Yick Kenneth	1/6/2000	5,000,000	–	5,000,000	1/12/2000 - 30/11/2002	0.35
Miao Wen Hao Felix	10/1/2000	10,000,000	–	10,000,000	10/1/2001 - 9/1/2003	0.80
Law Ping Wah Bernard	4/10/1999	40,000,000	–	40,000,000	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
Kwok Oi Kuen Joan Elmond	4/10/1999	5,750,000	–	5,750,000	8/4/2000 - 7/4/2002	0.59
	6/11/2000	15,000,000	–	15,000,000	16/5/2001 - 15/5/2003	0.27
		161,250,000	(2,500,000)	158,750,000		

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:

		Number of options					
Name	Date of grant	outstanding as at 1 April 2001	granted during the period	adjusted due to rights issue	outstanding as at 31 December 2001	Exercise period	Exercise price per share (adjusted after rights issue) (HK$)
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
Khoo Ken Wee	12/6/2001	–	4,000,000	3,200,000	7,200,000	16/6/2001 - 15/6/2003	0.21
		10,000,000	8,000,000	14,400,000	32,400,000		

Save as disclosed above, at no time during the year was the Company, any of its holding companies, 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 such rights.

SHARE OPTION SCHEME

The share option scheme ("Scheme") of the Company during the year was adopted by the Company on 20 November 2000. 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 full-time employee or executive 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 shares in issue as at the approval of shareholders from time to time and in any event the total maximum number of shares which might issued or issuable upon exercise of all outstanding options should not exceed 30% of the issued share capital of the Company from time to time. As at end of the year under review, the number of shares issuable in respect thereof was 201,520,000 shares.

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. Under the Scheme, no minimum period for which an option must be held before it became exercisable was required.

6. The exercise period of an option granted under the Scheme must not be less than 3 years and beyond the end of the life of the Scheme.

7. The acceptance of an option, if accepted, must be made within 3 business 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) the closing price of the share on the grant date; and
   (ii) the average closing price of the share for the 5 trading days immediately preceding the grant; and
   (iii) the nominal value of the share.

9. The life of the Scheme was originally effective until 14 December 2010. 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							
26/3/2001	0.11	1/10/2001 - 30/9/2004	(1)	–	80,000,000	–	80,000,000
Employees							
26/3/2001	0.11	1/10/2001 - 30/9/2004	(2) & (3)	–	20,000,000	–	20,000,000
27/3/2001	0.11	1/10/2001 - 30/9/2004	(2) & (4)	–	26,300,000	(2,200,000)	24,100,000
				–	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 the Company".

(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 necessary provide a reliable singly measure of the fair value of the share options.

(9) No accounting treatment will be recorded 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 GEM 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.

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 1)	1,086,619,945	53.92
Jeffnet Inc (note 1)	1,086,619,945	53.92
Cash Guardian (note 1)	1,057,152,090	52.46
CASH (note 1)	1,009,264,783	50.08
CIGL (note 1)	1,009,264,783	50.08
Yasumitsu Shigeta (note 2)	374,000,000	18.56
Hikari Power Limited (note 2)	374,000,000	18.56
Hikari Tsushin Inc (note 2)	374,000,000	18.56

notes:

(1) The shares are held as to 1,009,264,783 shares by CIGL, as to 47,887,307 shares by Cash Guardian and as to 29,467,855 shares by Suffold. CIGL is a wholly owned subsidiary of CASH which is owned as to approximately 39.60% by Cash Guardian (which is 100% beneficially owned by Jeffnet Inc) and 10.45% by Suffold (which is 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which are held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan and Jeffnet Inc are deemed to be interested in all the shares held by CIGL through CASH, Cash Guardian and Suffold while Cash Guardian is deemed to be interested in the aggregate shares held by CIGL through CASH.

(2) This refers to the same number of 374,000,000 shares held by Hikari Tsushin Inc. Mr Yasumitsu Shigeta, through his personal name, family members and Hikari Power Limited, a company wholly-owned by Mr Yasumitsu Shigeta, controls more than one third of the voting power at a general meeting of members of Hikari Tsushin Inc. Mr Yasumitsu Shegita and Hikari Power Limited are deemed to be interested in all the Shares held by Hikari Tsushin Inc pursuant to the SDI Ordinance.

Save as disclosed above, as 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.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), neither BNP nor its Directors or employees or associates (as referred to in note 3 to rule 6.35 of the GEM Listing Rules), had any interest in the share capital of the Company as at 31 December 2001.

Pursuant to the agreement dated 10 December 2000 entered into with the Company, BNP received, and will receive, fees for acting as the Company's sponsor for the periods for the financial year ended 31 December 2001 and for the period of 12 months commencing from 1 January 2002 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2001, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 38 to the financial statements.

BOARD PRACTICES AND PROCEDURES

The Company had complied with rules 5.28 to 5.39 of the GEM Listing Rules throughout the year ended 31 December 2001.

AUDIT COMMITTEE

The Audit Committee, comprising Professor Chiang Chiu Ping Raymond and Mr Wong Kwong Chi Simon, both being Independent Non-executive Directors, was established on 30 October 2000.

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 four meetings for reviewing and supervising the financial reporting process, the Company's financial statements, and providing advice and recommendations to the Board.

AUDITORS

Messrs Deloitte Touche Tohmatsu have been appointed as auditors of the subsidiaries of the Group in place of Messrs Ernst & Young on 9 August 2000 and have acted as auditors of the Company since its incorporation. 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

Hong Kong, 15 March 2002

auditors' report

TO THE SHAREHOLDERS OF CASH FINANCIAL SERVICES GROUP LIMITED
FORMERLY KNOWN AS CASH ON-LINE LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 39 to 69 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
Turnover	4	**88,776**	43,859
Other revenue		**2,928**	19,373
Cost of provision of trading platform services		**(9,777)**	(14,573)
Depreciation and amortisation		**(16,091)**	(4,589)
Finance costs	6	**(3,347)**	(26)
Impairment loss on investment in securities		**–**	(15,600)
Other operating and administrative expenses		**(68,778)**	(150,001)
Salaries, allowances and commission	7	**(52,273)**	(33,381)
Write off of deposit for the development of foreign exchange Internet platform		**–**	(1,950)
Loss before taxation	8	**(58,562)**	(156,888)
Taxation	11	**–**	–
Net loss attributable to shareholders		**(58,562)**	(156,888)
Loss per share	12		
– Basic		**(2.9) cents**	(7.9) cents
– Diluted		**N/A**	N/A

There were no recognised gains or losses other than the net loss for the year.

consolidated balance sheet

AT 31 DECEMBER 2001

	notes	2001 HK$'000	2000 HK$'000
Non-current assets			
Property and equipment	13	**73,839**	36,815
Goodwill	15	**100,629**	–
Intangible assets	16	**14,582**	–
Other assets	17	**50,250**	1,310
Loans receivable	18	**14,171**	–
		253,471	38,125
Current assets			
Accounts receivable	19	**287,875**	–
Loans receivable	18	**17,193**	–
Prepayments, deposits and other receivables		**15,687**	11,684
Investments in securities	20	**616**	–
Amounts due from fellow subsidiaries	21	**–**	2,235
Pledged bank deposits	22	**1,266**	877
Bank balances – trust and segregated accounts		**362,634**	–
Bank balances (general) and cash		**114,048**	224,601
		799,319	239,397
Current liabilities			
Accounts payable	23	**416,267**	–
Accrued liabilities and other payables		**57,151**	37,863
Amounts due to fellow subsidiaries	21	**–**	1,667
Obligations under finance leases			
– amount due within one year	24	**1,988**	–
Bank borrowings, secured	25	**134,796**	–
		610,202	39,530
Net current assets		**189,117**	199,867
		442,588	237,992

	notes	**2001 HK$'000**	2000 HK$'000
Capital and reserves			
Share capital	26	**201,520**	201,520
Reserves	27	**(22,460)**	36,472
		179,060	237,992
Non-current liabilities			
Obligations under finance leases			
– amount due after one year	24	**749**	–
Convertible note	28	**261,000**	–
Interest payable on convertible note to immediate holding company	28	**1,779**	–
		263,528	–
		442,588	237,992

The financial statements on pages 39 to 69 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	13	**2,582**	4,121
Investments in subsidiaries	14	**660,324**	252,324
		662,906	256,445
Current assets			
Accounts receivable		**–**	465
Prepayments, deposits and other receivables		**249**	–
Amounts due from subsidiaries		**48,558**	–
Bank balances (general)		**41**	90,030
		48,848	90,495
Current liabilities			
Accrued charges		**246**	11,656
Amounts due to subsidiaries		**266,597**	115,543
		266,843	127,199
Net current liabilities		**(217,995)**	(36,704)
		444,911	219,741
Capital and reserves			
Share capital	26	**201,520**	201,520
Reserves	27	**(19,388)**	18,221
		182,132	219,741
Non-current liabilities			
Convertible note	28	**261,000**	–
Interest payable on convertible note to immediate holding company	28	**1,779**	–
		262,779	–
		444,911	219,741

KWAN PAK HOO BANKEE
Director

LAW PING WAH BERNARD
Director

consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2001

	notes	**2001 HK$'000**	2000 HK$'000
Net cash outflow from operating activities	29	**(78,834)**	(129,233)
Returns on investments and servicing of finance			
Interest received		**–**	15,752
Interest paid on bank borrowings		**(1,491)**	(26)
Interest paid on obligations under finance leases		**(77)**	–
Net cash (outflow) inflow from returns on investments and servicing of finance		**(1,568)**	15,726
Investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	30	**11,202**	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	31	**19,600**	–
Purchase of investments in securities		**–**	(15,600)
Purchase of property and equipment		**(15,028)**	(34,367)
Other deposits paid		**(1,510)**	–
Purchase of club memberships		**(660)**	(1,310)
Increase in pledged bank deposits		**(76)**	(877)
Net cash inflow (outflow) from investing activities		**13,528**	(52,154)
Net cash outflow before financing		**(66,874)**	(165,661)
Financing	32		
Expenses paid in connection with the acquisition of subsidiaries		**(370)**	–
Repayments of obligations under finance leases		**(1,105)**	–
Repayments of convertible note		**(177,000)**	–
Proceeds from issue of shares in a subsidiary		**–**	224,000
Expenses paid in connection with listing of the Company's shares		**–**	(8,687)
Expenses paid in connection with issue of shares in a subsidiary		**–**	(4,575)
Net cash (outflow) inflow from financing		**(178,475)**	210,738

	notes	2001 HK$'000	2000 HK$'000
(Decrease) increase in cash and cash equivalents		**(245,349)**	45,077
Cash and cash equivalents at beginning of year		**224,601**	179,524
Cash and cash equivalents at end of year		**(20,748)**	224,601
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**476,682**	224,601
Bank borrowings, repayable within three months from date of the advances		**(134,796)**	–
		341,886	224,601
Less: Bank balances – trust and segregated accounts		**(362,634)**	–
		(20,748)	224,601

1. GENERAL

The Company is incorporated in Bermuda as an exempted Company with limited liability under the Companies Act 1981 of Bermuda. Its ultimate holding company is CASH, a company incorporated as an exempted company with limited liability in Bermuda and listed on the Stock Exchange.

The Company is an investment holding company. Details of the activities of the subsidiaries are set out in note 14 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 the 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 not resulted in any changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods. However, 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.

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 dates 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 at the date of acquisition.

Goodwill arising on acquisition 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.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Goodwill continued

On disposal of a subsidiary, the attributable amount of unamortised goodwill 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.

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 property and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	the shorter of the lease terms and 5 years
Furniture and fixtures	5 years
Computer and equipment	3 to 5 years
Motor vehicles	3 years

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

Impairment

At each balance sheet dates, 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 a 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 leases 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 income statement on a straight-line basis over the relevant lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Investments in securities

Investments in securities 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 year.

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.

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.

Services income from the provision of electronic trading platform for trading financial products is recognised when the services are rendered.

Advertising income is recognised over the period in which the advertisement is displayed, provided that no significant obligations remain at the end of a period. Obligations typically include the guarantee of a minimum number of impressions or times that an advertisement appears in pages viewed by the users of the Group's online properties. To the extent that minimum guaranteed impressions are not met, the Group does not recognise the corresponding revenue until the guaranteed impressions are achieved.

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

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 under 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 benefits 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
Fees and commission income	**48,280**	-
Interest income	**12,947**	-
Loss on trading of securities, options and futures	**(758)**	-
Services income	**28,040**	42,466
Advertising income	**267**	1,393
	88,776	43,859

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is currently organised into four main operating divisions, namely, provision of electronic trading platform, broking, financing and corporate finance. The Group reports segment information based on these divisions.

Principal activities for the year ended 31 December 2001 were as follows:

Provision of electronic trading platform	Provision of electronic trading platform for trading financial products
Broking	Securities, options and futures broking and trading services
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and loss before taxation for both years are derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

The Group's turnover and loss before taxation for the year ended 31 December 2000 were substantially derived from the provision of electronic trading platform. Accordingly, no analysis by business segments for the year ended 31 December 2000 is presented.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

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

Income statement for the year ended 31 December 2001

	Provision of electronic trading platform HK$'000	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER						
External sales	32,391	44,318	5,917	6,150	–	88,776
Inter-segment sales*	–	600	–	–	(600)	–
Total turnover	32,391	44,918	5,917	6,150	(600)	88,776
RESULT						
Segment (loss) profit	(45,367)	(1,092)	(5,335)	4,203	–	(47,591)
Other revenue						2,928
Unallocated corporate expenses						(13,899)
Loss before taxation						(58,562)
Taxation						-
Net loss attributable to shareholders						(58,562)

* Inter-segment sales are charged at a fee agreed between the Group companies.

Balance sheet as at 31 December 2001

	Provision of electronic trading platform HK$'000	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	42,446	552,394	404,706	10,709	1,010,255
Unallocated corporate assets					42,535
Consolidated total assets					1,052,790
LIABILITIES					
Segment liabilities	12,400	574,121	281,846	3,883	872,250
Unallocated corporate liabilities					1,480
Consolidated total liabilities					873,730

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

Other information for the year ended 31 December 2001

	Provision of electronic trading platform HK$'000	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	5,588	–	–	–	10,660	16,248
Depreciation	10,690	330	–	–	3,340	14,360
Amortisation of intangible assets	–	457	–	–	–	457
Impairment loss	2,027	–	–	–	–	2,027
Provision for bad and doubtful debts	408	358	4,717	–	–	5,483

6. FINANCE COSTS

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Interest on:		
Bank overdrafts and loans wholly repayable within five years	**1,491**	–
Convertible note	**1,779**	–
Finance leases	**77**	–
Loan from a fellow subsidiary	**–**	26
	3,347	26

7. SALARIES, ALLOWANCES AND COMMISSION

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Directors' remuneration (note 9)	**7,187**	7,783
Salaries, allowances and commission	**42,467**	25,256
Contributions to pension scheme	**2,619**	342
	52,273	33,381

8. LOSS BEFORE TAXATION

	THE GROUP 2001 HK$'000	THE GROUP 2000 HK$'000
Loss from taxation has been arrived at after charging (crediting):		
Advertising and promotion expenses	**13,190**	114,031
Amortisation of goodwill	**1,274**	–
Amortisation of intangible assets	**457**	–
Auditors' remuneration	**1,009**	350
Depreciation:		
Owned assets	**13,906**	4,589
Leased assets	**454**	–
	14,360	4,589
Impairment loss on property and equipment	**2,027**	–
Loss on disposal of property and equipment	**–**	35
Loss on disposal of subsidiaries	**1,023**	–
Operating lease rentals in respect of land and buildings	**10,772**	6,661
Provision for bad and doubtful debts	**5,483**	–
Net foreign exchange gain	**(37)**	–
Interest income	**–**	(15,752)

9. DIRECTORS' REMUNERATION

	THE GROUP 2001 HK$'000	THE GROUP 2000 HK$'000
Other emoluments paid to Executive Directors:		
Salaries, allowances and other benefits	**6,560**	7,690
Contributions to retirement benefits schemes	**257**	93
Performance related incentive payments	**370**	–
Total remuneration	**7,187**	7,783

During the year ended 31 December 2001, six Executive Directors received emoluments of approximately HK$1,596,000, HK$1,533,000, HK$1,209,000, HK$977,000, HK$936,000 and HK$936,000 respectively.

During the year ended 31 December 2000, seven Executive Directors received emoluments of approximately HK$2,020,000, HK$1,540,000, HK$1,098,000, HK$1,067,000, HK$1,064,000, HK$580,000 and HK$414,000 respectively.

9. DIRECTORS' REMUNERATION continued

No Directors' fees were paid by the Group during the year. In addition, the Independent Non-executive Directors did not receive any remuneration from the Group for holding their office as Independent Non-executive Directors.

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 or agreed to waive any remuneration for the current or prior year.

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees included four (2000: five) Directors of the Company, details of whose remuneration are included in note 9 to the financial statements. The details of the remuneration of the remaining individuals were as follows:

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Salaries, allowances and other benefits	**300**	–
Contributions to retirement benefit schemes	**81**	–
Performance related incentive payments	**1,325**	–
	1,706	–

11. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for each of the two years ended 31 December 2001.

No deferred tax asset has been recognised in the financial statements in respect of estimated tax losses available to set off future assessable profits as it is uncertain that the estimated tax losses will be utilised in the foreseeable future.

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

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Tax effect of timing difference because of:		
Estimated tax losses	**54,338**	30,373
Excess of tax allowances over depreciation	**(6,546)**	(4,644)
	47,792	25,729

11. TAXATION continued

The amounts of unprovided deferred taxation credit (charge) for the year are as follows:

	THE GROUP	
	2001	2000
	HK$'000	HK$'000
Tax effect of timing difference because of:		
Estimated tax losses arising	**23,965**	29,068
Excess of tax allowances over depreciation	**(1,902)**	(4,035)
	22,063	25,033

12. LOSS PER SHARE

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

	2001	2000
	HK$'000	HK$'000
Net loss attributable to shareholders	**58,562**	156,888
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,015,200,000**	1,978,549,727

No diluted loss per share for the current year has been presented because the exercise prices of the Company's options and convertible note were higher than the average market price for shares for year 2001.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2001	6,266	5,171	30,622	–	42,059
Acquired on acquisition of subsidiaries	15,343	18,655	–	3,165	37,163
Additions	8,261	1,922	5,305	760	16,248
At 31 December 2001	29,870	25,748	35,927	3,925	95,470
DEPRECIATION AND IMPAIRMENT					
At 1 January 2001	429	381	4,434	–	5,244
Provided for the year	3,120	2,696	8,354	190	14,360
Impairment loss recognised in the income statement	–	–	2,027	–	2,027
At 31 December 2001	3,549	3,077	14,815	190	21,631
NET BOOK VALUES					
At 31 December 2001	26,321	22,671	21,112	3,735	73,839
At 31 December 2000	5,837	4,790	26,188	–	36,815

The net book values of computer and equipment of HK$21,112,000 and motor vehicles of HK$3,735,000 include an amount of HK$1,428,000 (2000: nil) and HK$2,764,000 (2000: nil) respectively in respect of assets held under finance leases.

	Furniture and fixtures HK$'000	Computer and equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1 January 2001 and at 31 December 2001	140	4,585	4,725
DEPRECIATION			
At 1 January 2001	10	594	604
Provided for the year	28	1,511	1,539
At 31 December 2001	38	2,105	2,143
NET BOOK VALUES			
At 31 December 2001	102	2,480	2,582
At 31 December 2000	130	3,991	4,121

14. INVESTMENTS IN SUBSIDIARIES

	2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	**740,324**	302,324
Less: Impairment loss recognised	**(80,000)**	(50,000)
	660,324	252,324

The cost stated in year 2000 is based on the value of the underlying net tangible assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation.

The following table lists the wholly-owned 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	Place of incorporation	Paid up issued share capital	Principal activities
CASH E-Trade Limited	Hong Kong	Ordinary HK$4,000,000	Provision of electronic trading platform for trading financial products, provision of electronic financial services and investment holding
CASH E-Surance Limited	Hong Kong	Ordinary HK$2	Online insurance services
CASH Insurance Services Limited	Hong Kong	Ordinary HK$100,000	Insurance broking
CASH Payment Services Limited	Hong Kong	Ordinary HK$2	Provision of payment gateway services
CASH Research Limited (Formerly known as e-finance.com.hk Limited)	Hong Kong	Ordinary HK$26,000,000	Operation of a financial information website
Celestial Capital Limited	Hong Kong	Ordinary HK$17,000,000	Provision of corporate finance services
Celestial Commodities Limited	Hong Kong	Ordinary HK$10,000,000	Futures and options broking and trading
Celestial Finance Limited	Hong Kong	Ordinary HK$20,000,002 Non-voting deferred* HK$10,000,000	Provision of share margin financing
Celestial (International) Securities & Investment Limited	Hong Kong	Ordinary HK$2 Non-voting deferred* HK$10,000,000	Investment holding and money lending
Celestial Securities Limited	Hong Kong	Ordinary HK$50,000,000	Securities and equity options broking and trading

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

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

15. GOODWILL

	THE GROUP HK$'000
COST	
Arising on acquisition of subsidiaries during the year	101,903
AMORTISATION	
Charged for the year	1,274
NET BOOK VALUE	
At 31 December 2001	100,629

The amortisation period adopted for goodwill is 20 years.

16. INTANGIBLE ASSETS

	THE GROUP HK$'000
COST	
Trading rights in exchanges in Hong Kong acquired on acquisition of subsidiaries during the year	15,039
AMORTISATION	
Charged for the year	457
NET BOOK VALUE	
At 31 December 2001	14,582

The intangible assets are amortised over 10 years.

17. OTHER ASSETS

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Club memberships	**1,970**	1,310
Deposits for long term investments/projects	**39,000**	–
Statutory and other deposits	**9,280**	–
	50,250	1,310

18. LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Matured within 180 days	**15,493**	–
Matured between 181 days to 365 days	**1,700**	–
Matured within one year	**17,193**	–
Matured over one year	**14,171**	–
	31,364	–

19. 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**	–
Cash clients	**11,817**	–
Margin clients	**221,456**	–
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**43,674**	–
	287,875	–

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: nil) due from Suffold Resources Limited, 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: nil).

20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
THE GROUP						
Equity securities:						
Non–current						
Unlisted, at cost	**15,600**	15,600	**–**	–	**15,600**	15,600
Impairment loss recognised	**(15,600)**	(15,600)	**–**	–	**(15,600)**	(15,600)
	–	–	**–**	–	**–**	–
Current						
Listed in Hong Kong, at market value	**–**	–	**616**	–	**616**	–
	–	–	**616**	–	**616**	–

21. AMOUNTS DUE FROM AND TO FELLOW SUBSIDIARIES

The Group

The amounts were unsecured, non–interest bearing and fully repaid during the year.

22. PLEDGED BANK DEPOSITS

The Group

Pledged bank deposits represent deposits placed with banks to secure a guarantee of HK$877,000 (2000: HK$877,000) given to the Group's landlord by a bank and to secure foreign exchange margin trading facilities granted by a bank.

23. ACCOUNTS PAYABLE

	THE GROUP	
	2001 HK$'000	2000 HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	**243,866**	–
Margin clients	**52,575**	–
Accounts payable to clients arising from the business of dealing in futures and options	**119,826**	–
	416,267	–

23. ACCOUNTS PAYABLE continued

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 excesses 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 option dealing.

24. 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**	–	**1,988**	–
In the second to fifth year inclusive	**893**	–	**749**	–
	2,926	–	**2,737**	–
Less: Future finance charges	**189**	–	**–**	–
Present value of lease obligations	**2,737**	–	**2,737**	–
Less: Amount due for payment within one year			**(1,988)**	–
Amount due for payment after one year			**749**	–

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: nil) is secured by a guarantee given by the Company.

25. BANK BORROWINGS, SECURED

	THE GROUP	
	2001 **HK$'000**	2000 HK$'000
Bank overdrafts	**7,796**	–
Bank loans	**127,000**	–
	134,796	–

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 of the Group.

At 31 December 2001, the Group's bank borrowings were secured by:

(a) corporate guarantees from the Company and its ultimate holding company; and

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

26. SHARE CAPITAL

	THE COMPANY	
	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
On incorporation	1,000	100
Increase during the period	4,999,000	499,900
At 31 December 2000 and at 1 January 2001	5,000,000	500,000
Increase during the year (note)	5,000,000	500,000
At 31 December 2001	10,000,000	1,000,000
Issued and fully paid:		
Allotted and issued nil paid on incorporation	1,000	–
Issue of shares upon the group reorganisation	2,014,200	201,420
Credited as fully paid from contributed surplus account	–	100
At 31 December 2000 and at 31 December 2001	2,015,200	201,520

note: *Pursuant to an ordinary resolution passed on 31 August 2001, the authorised share capital of the Company was increased from HK$500,000,000 to HK$1,000,000,000 by the creation of an additional 5,000,000,000 shares of HK$0.10 each in the share capital of the Company. These shares rank pari passu in all respects with other shares.*

26. SHARE CAPITAL Continued

Options

At 31 December 2001, the following options to subscribe for shares were outstanding under the Company's share options scheme:

Option type	Number of options	Exercise period	Exercise price per share HK$
2001 options	124,100,000	1/10/2001 – 30/9/2004	0.11

The exercise in full of the outstanding 124,100,000 share options at 31 December 2001 would, under the present capital structure of the Company, result in the issue of 124,100,000 additional shares for a total cash consideration, before expenses, of approximately HK$13,651,000.

27. RESERVES

	Share premium of COL HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP				
At 1 January 2000	193,504	–	(16,671)	176,833
Issue of shares	223,450	–	–	223,450
Share issue expenses	(4,575)	–	–	(4,575)
Transfer to contributed surplus	(412,379)	412,379	–	–
Capitalisation of reserve arising on group reorganisation	–	(193,561)	–	(193,561)
Capitalisation	–	(100)	–	(100)
Expenses in connection with the listing of the Company's shares	–	(8,687)	–	(8,687)
Net loss for the year	–	–	(156,888)	(156,888)
At 31 December 2000 and at 1 January 2001	–	210,031	(173,559)	36,472
Expenses in connection with the acquisition of subsidiaries	–	(370)	–	(370)
Net loss for the year	–	–	(58,562)	(58,562)
At 31 December 2001	–	209,661	(232,121)	(22,460)

27. RESERVES Continued

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY			
Surplus arising on group reorganisation	100,904	–	100,904
Capitalisation	(100)	–	(100)
Expenses in connection with the listing of the Company's shares	(8,481)	–	(8,481)
Net loss for the period	–	(74,102)	(74,102)
At 31 December 2000 and at 1 January 2001	92,323	(74,102)	18,221
Expenses in connection with the acquisition of subsidiaries	(370)	–	(370)
Net loss for the year	–	(37,239)	(37,239)
At 31 December 2001	91,953	(111,341)	(19,388)

The contributed surplus of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate of the nominal amount of the issued share capital and the reserves of COL pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of COL at the date on which the group reorganisation become effective and the nominal amount of the share capital of the Company issued pursuant to the group reorganisation after deducting the expenses in connection with the listing of the Company's shares and the acquisition of subsidiaries.

Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

28. CONVERTIBLE NOTE

The Group and the Company

The convertible note payable to the immediate holding company bears interest at a rate of 2% per annum and is repayable on or before 31 December 2006. The holder of the note does not have the right to demand for repayment of the amount and the accrued interest of the note, and is not entitled to vote at general meetings of the Company. The Company has the right to repay early part or all of the amount and the accrued interest of the note. In the opinion of the Directors, the amount of the note and the accrued interest will not be repaid within the next twelve months.

The outstanding amount of the note can be converted into ordinary share of HK$0.10 each in the Company at any time prior to full repayment at a conversion price of HK$0.15 (subject to adjustment) per share. The note is transferable with the consent of the Company.

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

	2001 **HK$'000**	2000 HK$'000
Loss before taxation	**(58,562)**	(156,888)
Interest income	**–**	(15,752)
Interest expenses	**3,347**	26
Amortisation of goodwill	**1,274**	–
Amortisation of trading rights in exchanges in Hong Kong	**457**	–
Depreciation	**14,360**	4,589
Loss on disposal of property and equipment	**–**	35
Loss on disposal of subsidiaries	**1,023**	–
Provision for bad and doubtful debts	**5,483**	–
Impairment loss on property and equipment	**2,027**	–
Impairment loss on investment securities	**–**	15,600
Write off of deposit for the development of foreign exchange Internet platform	**–**	1,950
Decrease in loans receivable	**6,886**	–
Increase in accounts receivable	**(2,768)**	(8,694)
Decrease in prepayments, deposits and other receivables	**26,048**	–
Increase in investments in securities	**(158)**	–
Decrease in bank balances – trust and segregated accounts	**73,383**	–
Decrease in amounts due from fellow subsidiaries	**2,235**	1,117
(Decrease) increase in accounts payable	**(146,558)**	31,984
Decrease in accrued liabilities and other payables	**(5,644)**	–
Decrease in amounts due to fellow subsidiaries	**(1,667)**	(3,200)
Net cash outflow from operating activities	**(78,834)**	(129,233)

30. ACQUISITION OF SUBSIDIARIES

	2001 HK$'000	2000 HK$'000
NET ASSETS ACQUIRED		
Property and equipment	37,163	–
Intangible assets	15,039	–
Other assets	46,770	–
Loans receivable	39,090	–
Accounts receivable	289,750	–
Prepayments, deposits and other receivables	30,051	–
Investments in securities	21,109	–
Pledged bank deposits	313	–
Bank balances (general) and cash	142,175	–
Bank balances – trust and segregate accounts	436,017	
Accounts payable	(562,853)	–
Accrued liabilities and other payables	(24,932)	–
Obligations under finance leases	(2,622)	–
Bank borrowings	(130,973)	–
	336,097	–
Goodwill	101,903	–
	438,000	–
SATISFIED BY		
Convertible note	438,000	–
NET CASH INFLOW ARISING ON ACQUISITION		
Bank balances (general) and cash acquired	142,175	–
Bank borrowings acquired	(130,973)	–
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	11,202	–

The subsidiaries acquired contributed HK$56 million revenue and HK$6 million of loss before taxation for the period between the date of acquisition and the balance sheet date.

During the period since acquisition, the subsidiaries acquired have utilised approximately HK$24 million to the Group's net operating cash flows and utilised approximately HK$22 million for investing activities.

31. DISPOSAL OF SUBSIDIARIES

	2001 HK$'000	2000 HK$'000
NET ASSETS DISPOSED OF		
Investments in securities	**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 has no significant impact on the Group's net operating cash flows and investing and financing activities.

The subsidiaries disposed of during the year has no significant contribution to the Group's turnover and loss from operations.

32. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital HK$'000	Share premium of COL and contributed surplus HK$'000	Obligations under finance leases HK$'000	Convertible note HK$'000
At 1 January 2000	7,309	193,504	–	–
Issue of shares in a subsidiary	550	223,450	–	–
Share issue expenses	–	(4,575)	–	–
Issue of shares upon group reorganisation	193,561	(193,561)	–	–
Capitalisation	100	(100)	–	–
Expenses in connection with the listing of the Company's shares	–	(8,687)	–	–
At 31 December 2000 and at 1 January 2001	201,520	210,031	–	–
Acquired on acquisition of subsidiaries	–	–	2,622	–
Inception of finance leases	–	–	1,220	–
Repayments during the year	–	–	(1,105)	–
Expenses paid in connection with the acquisition of subsidiaries	–	(370)	–	–
Issue of convertible note for acquisition of subsidiaries	–	–	–	438,000
Repayments of convertible note	–	–	–	(177,000)
At 31 December 2001	201,520	209,661	2,737	261,000

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Company acquired a 100% interest in Celestial Financial Services Group Limited at a consideration of approximately HK$438,000,000. The consideration was satisfied by the issue of convertible note with the principal amount of HK$438,000,000. Details of this transaction are set out in the Company's circular dated 13 August 2001.

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

34. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related companies and convertible note as disclosed in note 21 and note 28 to the financial statements, during the year, the Group had the following significant transactions with fellow subsidiaries:

(a) The Group received service income of approximately HK$23,875,000 (2000: HK$40,820,000) from a fellow subsidiary for the provision of electronic trading platform for securities dealing. The service income was equal to 100% of total brokerage commission received by the fellow subsidiary from its clients for the execution of their securities transactions executed through the Group's electronic trading platform.

34. RELATED PARTY TRANSACTIONS Continued

(b) The Group received service income of approximately HK$4,165,000 (2000: HK$1,646,000) from a fellow subsidiary for the provision of electronic trading platform for trading futures. The service income was equal to 100% of total brokerage commission received by the fellow subsidiary from its clients for the execution of their futures transactions executed through the Group's electronic trading platform.

(c) The Group paid service charges of approximately HK$8,071,000 (2000: HK$14,239,000) to a fellow subsidiary. The charges for the year were calculated at 20% of the service income received by the Group from the fellow subsidiary if the related fellow subsidiary's online brokerage clients gave electronic securities dealing instructions via the internet or mobile phones, and at 50% of the service income received by the Group from the fellow subsidiary if the fellow subsidiary's non-online brokerage clients gave dealing instructions via the telephone lines and such orders were executed through the Group's electronic trading platform.

(d) The Group paid service charges of approximately HK$833,000 (2000: HK$329,000) to a fellow subsidiary. The charge was calculated at 20% of the service income received by the Group for the provision of electronic trading platform for trading futures.

(e) The Group paid payment gateway service fee of approximately HK$25,000 (2000: HK$5,000) to a fellow subsidiary. The charge was calculated at the costs charged by the independent third party to the fellow subsidiary.

(f) The Group paid rental of approximately HK$3,202,000 (2000: HK$2,466,000) to a fellow subsidiary. The charge was calculated at the effective rate charged to the fellow subsidiary by the head landlord with reference to the floor area occupied by the Group.

(g) The Group received initial public offering handling fee income of approximately HK$23,000 (2000: HK$236,000) from a fellow subsidiary. The fee was equal to 100% of total service fee received by the fellow subsidiary from its clients.

(h) The Group paid management fee of approximately HK$5,227,000 (2000: HK$7,071,000) to a fellow subsidiary. Management fee was calculated at the rates based on the general time consumed by each of the departments of the fellow subsidiary for the Group.

(i) The ultimate holding group had provided corporate guarantees to secure general banking facilities granted to certain subsidiaries of the Group, for which no charge is made. At the balance sheet date, the subsidiaries of the Group utilised HK$55,774,000 of these banking facilities.

(j) The Group acquired the entire interests of Celestial Financial Services Group Limited at a consideration of HK$438,000,000 from a fellow subsidiary pursuant to the agreement entered into between the Company and its ultimate holding company dated 28 June 2001. The consideration was satisfied by the issue of a convertible note by the Company.

(k) The Group paid interest on convertible note of approximately HK$1,779,000 (2000: nil) to the immediate holding company. The interest was calculated at a rate of 2% per annum.

(l) The Group received interest of approximately HK$495,000 (2000: nil) from Suffold Resources Limited, 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.

(m) The Group disposed of certain equipment at the net book value of approximately HK$383,000 (2000: nil) to a fellow subsidiary.

34. RELATED PARTY TRANSACTIONS Continued

(n) The Group received online real time quote service fee of approximately HK$1,534,000 (2000: HK$3,099,000) from a fellow subsidiary. The fee was equal to 100% of total service fee received by the fellow subsidiary from its clients for subscribing the online real time quote service.

(o) During the year ended 31 December 2000, the Group paid interest expense of approximately HK$26,000 to a fellow subsidiary. Interest expense was calculated at Hong Kong inter-bank borrowing rate plus 1%.

(p) During the year ended 31 December 2000, the Group acquired certain equipment at cost of HK$9,468,000 from fellow subsidiaries.

The transactions (a) to (e), (g), (h) and (n) do not constitute related party transactions after the Group has acquired FSG on 28 September 2001 as the fellow subsidiaries have become the subsidiaries of the Group.

35. COMMITMENTS

(a) Capital commitment

At the balance sheet date, the Group had the following capital commitment contracted for but not provided for in the financial statements:

	2001 HK$'000	2000 HK$'000
Acquisition of a trading right in the Hong Kong Futures Exchange Limited from a fellow subsidiary	**–**	1,800

(b) Other commitment

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

	2001 HK$'000	2000 HK$'000
Contracted commitment in respect of advertising expenditure	**7,391**	–

(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 United States dollar.

36. OPERATING LEASE COMMITMENTS

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

	2001 **HK$'000**	2000 HK$'000
Within one year	**9,198**	9,311
In the second to fifth year inclusive	**13,720**	2,483
	22,918	11,794

Operating lease payments represent rental payable by the Group for its office premises. Leases are mainly negotiated for an average term of six years and rentals are fixed for an average of three years.

37. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2001.

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$136,763,000 (2000: nil).

38. POST BALANCE SHEET DATE EVENT

On 15 March 2002, the Directors proposed to consolidate 20 existing shares of HK$0.1 each in the Company into 1 consolidated share of HK$2.0 each and to reduce the share capital of a consolidated share of HK$2.0 each to a reduced share of HK$0.1 each. The total amount of reduced share capital of approximately HK$191,444,000 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$0.1 each into 1 consolidated share of HK$2.0 each and the proposed capital reduction of a consolidated share of HK$2.0 each into a reduced share of HK$0.1 each are subject to the shareholders' approval in a special general meeting to be held.

financial summary

RESULTS	1 January 2001 to 31 December 2001 HK$'000 (note 3)	1 January 2000 to 31 December 2000 HK$'000 (note 3)	1 January 1999 to 31 December 1999 HK$'000 (note 2)	11 November 1998 to 31 December 1998 HK$'000 (note 2)
Turnover	88,776	43,859	21,217	–
Loss before taxation	(58,562)	(156,888)	(16,671)	–
Taxation	–	–	–	–
Net loss attributable to shareholders	(58,562)	(156,888)	(16,671)	–

notes:

1. *The Company was incorporated in Bermuda on 9 August 2000 and became the holding company of the Group with effect from 24 August 2000 as a result of the group reorganisation, details of which are set out in the Company's prospectus dated 13 December 2000. Accordingly, the consolidated balance sheets of the Group as at 31 December 2000 and 2001 are set out on pages 40 and 41 of this Annual Report.*

2. *The results of the Group for the period from 11 November 1998 (date of incorporation of COL, the then holding company of the Group prior to the group reorganisation) to 31 December 1998 and the year ended 31 December 1999 have been prepared on a combined basis as if the current group structure had been in existence throughout the period/year concerned and have been extracted from the Company's prospectus dated 13 December 2000.*

3. *The results of the Group for the years ended 31 December 2000 and 2001 have been extracted from the consolidated income statements which are set out on page 39 of this Annual Report.*

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CASH Financial Services Group Limited ("Company") will be held at Salon 5, Level III, JW Marriot Hotel, 88 Queensway, Hong Kong on 16 May 2002, Thursday, at 9:45 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 Growth Enterprise Market ("GEM") of 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 GEM 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 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, 27 March 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)*
LAW Ka Kin Eugene *(Deputy Chairman)*
WONG Kin Yick Kenneth *(CEO)*
MIAO Wen Hao Felix *(Deputy CEO)*
LAW Ping Wah Bernard *(CFO)*
KHOO Ken Wee
KWOK Oi Kuen Joan Elmond

Independent Non-executive:
CHIANG Chiu Ping Raymond
WONG Kwong Chi Simon

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

Solicitors
Richards Butler

Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants

Company Secretary
KWOK Oi Kuen Joan Elmond, *ACIS*

Qualified Accountant
WONG Hon Ming Wallace, *AHKSA*

Compliance Officer
LAW Ka Kin Eugene, *BA*

Audit Committee
CHIANG Chiu Ping Raymond
WONG Kwong Chi Simon

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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