CHAIRMAN'S LETTER

Dear shareholders,

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

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

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

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

Financial Review

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

Bankee P Kwan
Chairman & CEO

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

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

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

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

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

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

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

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

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

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

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

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

Better GROWTH

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

The End of the Beginning

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

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

CFSG:
New Products, New Competences — A New Being

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

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

CFSG Group

30

years of dedication

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

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

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

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

Better
LIVING

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

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

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

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

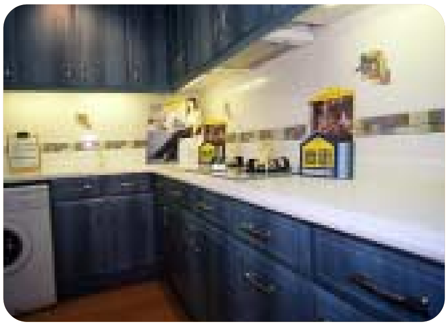
Specifically, we needed a traditional business with a client base sizeable enough to put our systems capacity to good use. At the same time, this business must be prepared to embrace and employ the prior CASH on-line's rapid product development and deployment capabilities. And so, on 28 June 2001, we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

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

Pricerite Group

43

retail outlets
all over Hong Kong



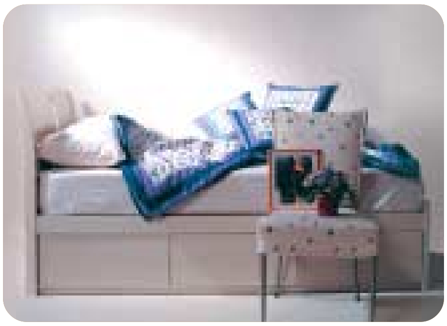
Pricerite Group:
New Leaders, New Ideas — A New Page

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

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

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

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




halo
a member of CASH Group
Halo E-Commerce Suite
Halo Mobilizer mobilizes
your web services
Benefits

Better SOLUTIONS

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

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

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

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

Halo Group

targeting

HK$30

billion software market in China & Hong Kong

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

Halo Group:
New Technology, New Applications — New Prospects

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

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

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

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

Better NETWORK

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

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

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

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

Central Management Group:
Our Foundation for Growth

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

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

Transtech Group

annual capacity

1.25

million km

The Next Chapter

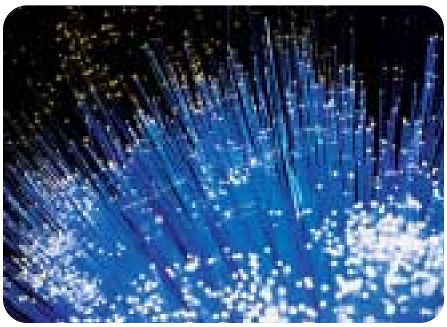
If I were asked to summarise where we are now into one single paragraph, Winston Churchill's words would come to mind: "do not let us speak of darker days: let us speak rather of sterner days. These are not dark days; these are great days." Our chief executive officers and their teams rallied to our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

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

For CFSG, I expect to see substantial consolidation within the over crowded securities brokerage market space leaving only those with solid and efficient infrastructure and financial strengths. Preservation of a strong balance sheet will be the key objective as the entire financial services industry faces further decrease in revenue and profit margins. Eugene and his team will continue to tighten cost control while continuing to extend and enhance the product offerings on a cautious and selective basis.

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

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



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

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

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

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

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

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

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

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

Yours sincerely,

Bankee P Kwan
Chairman & CEO