CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

Summary

· Successful Transformation: from cyclical brokerage business to multifaceted service conglomerate with multiple income streams.

· Financial Strength: strong balance sheet underpins our long-term growth strategy.

· Clear Vision: solid infrastructure paves the way for our Group to thrive in the next business cycle.

FINAL RESULTS

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2001 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2001** *HK$'000*	**2000** *HK$'000* (restated)
Turnover	1&2	973,560	472,836
Other revenue	3	2,3511	95,224
Changes in inventories of finished goods		(467,741)	-
Salaries, allowances and commission		(239,791)	(206,127)
Depreciation and amortization		(54,725)	(20,596)
Other operating and administrative and selling expenses		(373,994)	(293,967)
Finance costs		(10,735)	(13,102)
Loss on discontinued operations	4	(43,659)	-
Share of losses of associates		(2,326)	(57,994)
Loss of disposal of an associate		(25,457)	-
Impairment loss on investment in an associate		(2,432)	-
Impairment loss on investment		(228,900)	(15,600)
Impairment loss on property and equipment		(7,527)	-
Impairment loss on goodwill held in reserves	8	-	(438,118)
Loss before taxation		(481,376)	(377,444)
Taxation credit	5	152	1,428
Loss before minority interests		(481,224)	(376,016)

Minority interests		27,188	39,665
Net loss attributable to shareholders		(454,036)	(336,351)
Distribution	6	-	87,042
Loss per share	7		
- Basic		(7.2) cents	(6.6) cents
- Diluted		(7.2) cents	(6.6) cents

Notes:

(1) Turnover

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

(2) Income statement by business and geographical segments

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

Principal activities are as follows:

Financial services	Broking, financing, proprietary trading and corporate finance services
Retailing	Sales of furniture and household goods

Information technology	Providing information technology advisory services
Investment holding	Strategic investment

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

For Year 2001

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

For Year 2000

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

Geographical segments

The Group's information technology operations are located in Hong Kong and the US. All the Group's other operations are located in Hong Kong. During the year, the Group ceased its information technology business in US. The Group's turnover for the current year are derived from Hong Kong and the result of the Group for the current year from US is set out in note (4) below.

(3) Other revenue

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

(4) Loss on discontinued operations

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

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

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

(5) Taxation credit

	2001	2000
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Provision for the year	(200)	-
Overprovision in prior years	352	148
Deferred taxation	152	148
Taxation attributable to the Group	-	1,280
	152	1,428

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

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

(6) Distribution

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

(7) Loss per share

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

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

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

The adjustment to comparative basic and diluted earnings (loss) per share arising from the change in accounting policies in note (8) below is as follows:

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

(8) Adjustments retrospectively applied upon adoption of new and revised Statements of Standard Accounting Practices ("SSAPs")

During the year, the Group adopted the new and revised SSAPs. The adoption of the new SSAPs has resulted in a change to the Group's accounting policy on goodwill. The financial effect of the adoption of the revised accounting policy is as follows:

	Year ended 31 December 2000 Audited
	HK$'000
Profit as originally stated	
Impairment of goodwill recognized upon the adoption of SSAPs 30 and 31	101,767
Loss as retrospectively restated	(438,118)
	(336,351)

In the current year, the Group has adopted SSAP 30 "Business Combination" and has elected not to restate goodwill previously eliminated against reserves. However, impairment loss in respect of goodwill that arose between the date of acquisition of the relevant subsidiaries and associates and the date of adoption of SSAP 30 has been recognized retrospectively in accordance with SSAP 31. Goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired.

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

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2001 (2000: Nil).

REVIEW AND OUTLOOK

Financial Review

2001 was a year of immense economic turbulence and hardship for global and local commerce. The protracted economic difficulties imposed fundamental and structural changes in the market place as well as businesses. We anticipated the business conditions and were thus prepared to capitalize by initiating a series of corporate restructuring that transformed our Group from what was mainly a single business financial services group into a multifaceted conglomerate. In March 2001, our Group acquired a controlling interest in Pricerite, and through a subsequent general offer and placing, completed the acquisition of majority stake in Pricerite for a net consideration of HK$161.7 million in July 2001. Furthermore, we restructured our IT investments and founded Halo Group to manage and develop into one of our principle businesses down the road.

Given the dire economic climate, 2001 was a remarkable year for our newly acquired subsidiary Pricerite. It boosted the consolidated turnover of our Group by 105.9% to HK$973.6 million over the same period of last year. The prolonged severe drought in the securities market resulted in an acute decline in revenue contribution from our financial services businesses by more than 52.6% to HK$223.4 million compared that of the previous year. This, together with one-off restructuring costs incurred by our efforts to consolidate our operations, as well as prudent one-off provisions for certain investments, led to our consolidated net loss of HK$454.0 million for 2001. This rationalization and the one-time provisions will pave the way for our Group to capitalize on business opportunities during the next business cycle.

Despite the setback in our financial performance, our Group remained financially strong and continued to maintain a solid balance sheet. We recorded a moderate decrease in net asset value from HK$1.2 billion as at 31 December 2000 to HK$902.6 million as at 31 December 2001.

Our cash and bank balances as at 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 and the 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 mismatching during the year was limited.

Our total bank borrowings increased from HK$121.4 million as at 31 December 2000 to HK$155.6 million as at 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 our accounts. During the year, the ratio of the total bank borrowings to shareholders' equity reached 17.2% as at 31 December 2001 from 10.2% as at 31 December 2000. Our Directors believed that our Group's gearing was maintained at a prudent level, especially when the majority of our borrowings were used to finance the margin clients of CFSG. We were thus able to comfortably set-off client borrowings against our bank financing together with a net interest margin earned from our margin book. We were therefore not exposed to any interest rate risk during 2001.

As at 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$24.3 million, which included a guarantee given to a bank for general banking facilities granted to an associate and the long service payments that the Group is liable to pay under some circumstances specified in the Employment Ordinance.

The ratio of our current assets to current liabilities was 1.5 as at 31 December 2001 as compared to 2.3 as at 31 December 2000. Despite the economic ordeal in 2001, our Group remains financially sound. Our Board believes that the Group is well positioned to grasp any business opportunities that may take place in Hong Kong and China as well as improved performance in 2002.

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. 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.

Business Review

The End of the Beginning

Despite the disappointing results, last year was a year of exceptional achievements for the CASH Group 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. The stabilised cash-flow generated from the internal operations of our core businesses will complement and support the developments of our high growth strategic investments in our pursuit of our long-term growth strategy.

To achieve this transformation, we focused our attention in four key business areas.

CFSG Group: New Products, New Competences - A New Being

As early as 2000, we envisaged a difficult time ahead when cracks in the internet bubble became evident. We promtly 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 rationalize 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 our CFSG, led a decisive and sweeping reorganization and rationalization drive to prevent our business from succumbing to the economic hardships. Non-profitable business lines were suspended, credit policy and risk management were further tightened, and employee headcount was reduced.

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

Nonetheless, we continued to grow unabated through our efforts to deliver additional values via upgrading service quality, product enhancements, and utilizing technology to deliver the most reliable trading services possible.

2001 was about rationalization not retrenchment. 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, adding further efficiency and flexibility to benefit our clients;

- developing our class leading commodities platform and became the leader in the area of mini Heng 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 for ICBC (Asia) and SinoPac Bank of Taiwan.

We also invested 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 finance 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 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.

These efforts in product development and service enhancements culminated in accolades from numerous organizations from IDG World Expo (Asia) for IT Excellence to the Next Magazine Award for Service Excellence in the non-bank financial services category.

In order to further enhance efficiency and to optimize the use of resources for our financial services businesses, we proposed to merge the traditional financial services businesses with CASH on-line on 28 June 2001. 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: New Leaders, New Ideas - A New Page

Our reliance on the highly cyclical brokerage business to provide ongoing revenue stream was our Group's Achilles heel. 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 the acquisition of a majority stake in March 2001 in Pricerite. Listed on the Stock Exchange of Hong Kong, Pricerite is one of the largest local retailers of household and furnishing products.

During the year, we appointed Thomas Li as the chief executive officer 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. Simultaneously, a "Balanced Scorecard Programme" was implemented to ensure tangible, quantifiable improvements.

We 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 prospect. 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 improve our understanding of our customers, additional feedback channels such as opinion boxes and customer hotlines were installed to link us directly with our customers. A detailed review of our network distribution and consumer demographic and pedestrian traffic flow helped identify new geographic locations for our expansion.

In order to extend our 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.

To enrich our product mix, we continued to strengthen our product development function to consolidate our 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.

In 2001, we focused on three key areas to build logistical strengths. An electronic stock replenishment system at store level was implemented to 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, we redesigned our stock flow and further enhanced our computerized warehouse system which led to a 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 minimize interference of our consumer'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 guideline 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. Our 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 all major product categories carried by the Group's physical stores, and the number of different products available for ordering totalled over 3,000. Our registered membership increased almost by half to 22,000 who generated over a million page-views per month.

We 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 Halo Group in August 2001 to capitalize on 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 focuses on providing the latest IT solutions to businesses to automate and enhance the efficiency of their business processes and profitability.

Ken Khoo led the development initiatives of Halo as their chief executive officer. Working closely with Dr Bob Chan and other IT and 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, namely Halo Solutions, Halo Platform and Halo China that delivers IT solution consultancy services, software platform development and spearheads Halo's business development in China.

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

Transtech Group - Optical Fibre Joint Venture

Our other technology based strategic investment is Transtech Group, our joint venture fibre optics manufacturing arm. The initial objective was to develop a Hong Kong based manufacturing facility capable of producing Single Mode Fibre of highest standard for telecommunication 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 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 is in place 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, and 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 duplication of management and ultimately reduces 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.

The Next Chapter

We aim to build CASH and our businesses into a cross-sector service conglomerate by developing the brand names and business under our management to be synonymous with the highest standard of customer service. Our chief executive officers and their teams responded 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.

We foresee a turnaround in 2002 for the US economy, which has started to show signs of a recovery. We expect the downward trend of the current business cycle to approach an end. We are now well placed to weather any near term challenges while leveraging on the solid foundation of our financial and income portfolio to develop and grow in the forthcoming new business cycle.

While there may still be difficult challenges to face, we are confident that our darkest days are behind us. Our four key businesses have weathered the worst economic environment possible and came out leaner but stronger. Our chief executive officers and their teams are now focused and on track to deliver their respective objectives.

As a conglomerate, we shall continue to seek new ventures and investment opportunities according to a well defined investment strategy. We are certain that 2002 will see us embark on a new journey of growth and development.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company will submit a CD ROM to the Stock Exchange containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of The Rules Governing the Listing of Securities on the Stock Exchange for publication on the Stock Exchange's website within 21 days from the date of this announcement.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 15 March 2002

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