

chairman interview





Why do you think a cross-sector services conglomerate is the way forward?

New technologies have always created new business opportunities and business models. It is our belief that one model suitable for Greater China will be a new type of conglomerate that, using a common technology and brand platform, can create synergies and economies of scale through bringing together businesses serving different segments of the consumer market. We intend selectively to invest in a range of such businesses, investing capital in them and bringing to bear our managerial expertise, to unlock their value and increase the value of the entire Group. We see this as the best way of creating shareholder value in the long-term.

Just how well placed financially is CASH to expand?

Our strong cash flow from operations and our successful capital-raising activities have given us a balance sheet that for a company such as ours is exceptionally strong. We have HK\$1.2 billion in equity capital, no net bank debt with cash on hand of HK\$600 million. In current market conditions this puts us in a very favorable position, given that many companies face cash-flow difficulties. For this reason, we are well regarded by banks and institutional investors. We are therefore confident we have significant scope to raise further capital to finance ambitious acquisition programs.



The **cost breakdown** indicates that the **salary expense** is a major component. **Why** is this so?

It is all about long-term growth. We are building a dynamic, in-depth management team to support our growth. Our business model relies on innovative services and products, which in turn require human talent to develop. Hence, we retain talent through offering a good incentive scheme. The mistake is to see CASH as a brokerage house. This is what we have been, not what we are already becoming. It is true that the amount we spent on our people in 2000 is high when benchmarked against the brokerage industry alone. But this represents an investment in the people we need to expand successfully beyond Hong Kong and beyond financial services. In a knowledge-based economy, people are the most important resource and we have put the development of human capital at the core of our strategy. As our business model is scalable, this expense ratio will become more obviously consistent with our operations.

What were the most successful aspects of the business in 2000?

Many parts of our business had performed well. Our retail securities brokerage managed in a difficult market to increase commission revenue by 63%. Joint marketing with the retail brokerage unit helped to raise revenues from our growing institutional sales operation by 45%. Corporate finance also had a good year, underwriting more than \$416 million of capital-raising transactions and increasing total turnover by 288%. Our margin financing business tripled. Were it not for our heavy investment in other areas to prepare ourselves for the next phase of development beyond our present boundaries, profitability would have risen more during the year. These were our achievements in 2000. But I view success on a longer term basis and from a broader perspective. In this sense, the sophisticated technology architecture and the brand presence we have built during the year, although at a high cost, are in fact the most successful aspects of our performance.

Will CASH continue high spending on technology and branding in 2001?

We have already achieved most of the objectives we set ourselves in these particular areas. Our technology platform is one of the most efficient and stable in Hong Kong. To give just one example, our open gateway trading platform that settles trades directly with the Stock Exchange, is undoubtedly one of the fastest, allowing us to clear hundreds of overnight orders in the first 15 seconds of trading. Hence, for the foreseeable future, our technology platform now needs refinement, rather than renewal. Equally, our brand is now well established and we have built a substantial and loyal customer base. We have also developed a brand presence internationally, attracting prominent investors. Hence our advertising spending will for the present decline substantially, without loss of momentum in our marketing.

Why did you choose not to recommend a dividend?

I think most investors understand we are still at an investment stage and wish to plough profits back into new growth, to ensure greater rewards in the future. In addition, the distribution in 2000 to shareholders in the form of COL shares of HK\$87 million and bonus warrants of CASH already represents a return of wealth to shareholders for the year.

What plans do you have for Pricerite?

Pricerite completed a successful restructuring in 2000 and now has turned-around performance, generating a solid cash flow. Its extensive retail outlets, broad customer base, and “brick-and-mortar” B2C e-shop will provide ideal opportunities for CASH to widen the spread of our high quality online and personalized financial services. Pricerite will also be useful as a channel for CASH to enter into China market, to tap into the enormous opportunities we foresee in the domestic retail industry after entry into WTO. We will launch cross-marketing campaigns between CASH and Pricerite in the near future.