

## report of the directors

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 2000.

### Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group consist of (a) investment holding, (b) financial services including brokerage and trading of securities, futures, commodities and options, margin financing and corporate finance, and (c) technology development project.

### Reorganization and Spin-off of a Subsidiary on GEM of the Stock Exchange

In August 2000, the Group has undergone a group reorganization for the spin-off of the group of subsidiaries for online business, being CASH on-line, Inc (the former holding company of the subsidiaries of COL ("COL Group")) and its subsidiaries, and prepared for the listing of COL on GEM of the Stock Exchange. On 1 September 2000, the Company distributed 498,123,217 shares in COL to the shareholders of the Company whose names appeared on the register of the Company at the close of business on 25 August 2000, by way of distribution in specie, at a ratio of one share in COL for every ten shares in the Company held by the Company's shareholders. The shares in COL have been listed on GEM of the Stock Exchange since 15 December 2000.

### Results and Dividends

The results of the Group's for the year ended 31 December 2000 are set out in the consolidated income statement on page 58.

The Directors do not recommend the payment of any dividend for the year.

### Segmental Information

An analysis of the Group's turnover and contribution to profit before taxation by principal activity and geographical market for the year ended 31 December 2000 are set out in note 3 to the financial statements.

### Five Year Financial Summary

A summary of the audited results and the assets and liabilities of the Group for the last five financial years ended 31 December 2000 is set out on pages 103 and 104 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 14 to the financial statements.

### Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 15 to the financial statements.

### Borrowings

Details of borrowings of the Company and of the Group as at 31 December 2000 are set out in notes 25 and 26 to the financial statements.

### Share Capital, Warrants and Share Options

Details of movements in the Company's share capital, warrants and share options during the year are set out in note 27 to the financial statements.

## Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 28 to the financial statements.

## Pre-emptive Rights

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

## Distributable Reserves

As at 31 December 2000, the Company's reserves available for distribution to shareholders was approximately HK\$556,998,000, being the contributed surplus of approximately HK\$580,593,000 less the accumulated loss of approximately HK\$23,595,000. Under the Companies Act 1981 of Bermuda, the Company's share premium account with a balance of approximately HK\$194,183,000 may be distributed in the form of fully paid bonus shares.

## Raise of Funds

During the year, the Company had raised funds of approximately HK\$204 million by the following corporate issues :

1. In July 2000, the Company raised approximately HK\$60 million from the placing of 496,440,000 subscribable warrants of the Company at the placing price of HK\$0.12 per warrant.
2. In December 2000, the Company raised approximately HK\$144 million from the placing of 479,000,000 new shares of HK\$0.10 each in the Company at HK\$0.30 per share to several private investors.

### Use of Proceeds

The funds raised during the year were mainly used for financing high technology-related projects of the Group and as general working capital for the usual and ordinary business of the Group.

### Connected Transactions

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

1. On 8 June 2000, Celestial Securities Limited (“CSL”), a wholly-owned subsidiary of the Company, entered into an agreement (“Securities Agreement”) with CASH E-Trade Securities Limited (“ETS”), a wholly-owned subsidiary of COL Group, whereby CSL agreed to transfer a trading right of the Stock Exchange to ETS at a consideration of HK\$3,700,000 in cash. Completion of the Securities Agreement is conditional upon approval from the Stock Exchange. However, in view of the current market situation and in order to maintain a more flexible and cost-effective operation, CSL and ETS have resolved not to proceed with the completion of the acquisition of the trading right of the Stock Exchange at the moment and the Securities Agreement has been temporarily suspended.
2. On 8 June 2000, Celestial Commodities Limited (“CCL”), a wholly-owned subsidiary of the Company, entered into an agreement (“Commodities Agreement”) with CASH E-Trade Commodities Limited (“ETC”), a wholly-owned subsidiary of COL Group, whereby CCL agreed to transfer a trading right of the Hong Kong Futures Exchange Limited (“Futures Exchange”) to ETC at a consideration of HK\$1,800,000 in cash. Completion of the Commodities Agreement is conditional upon approval from the Futures Exchange. However, in view of the current market situation and in order to maintain a more flexible and cost-effective operation, CCL and ETC have resolved not to proceed with the completion of acquisition of the trading right of the Futures Exchange at the moment and the Commodities Agreement has been temporarily suspended.

3. On 4 September 2000, the Company has entered into an sale and purchase agreement (“Agreement”) for the purchase of 175 million shares of HK\$0.10 each in COL (“Sale Shares”) at a consideration of HK\$277,888,050 from Cash Guardian Limited (“Cash Guardian”), a company associated with Mr Kwan Pak Hoo Bankee and Mr Khoo Ken Wee, being Directors and substantial shareholders of the Company. The consideration for the Sale Shares was settled by the issue and allotment by the Company of 463,146,750 new shares in the Company at an issue price of HK\$0.60. Completion of the Agreement took place on 16 October 2000.

#### Major Customers and Suppliers

In the year under review, the Group’s turnover attributable to the five largest customers accounted for approximately 6.7% of the Group’s total turnover, and turnover of the Group’s largest customer included therein amounted to 1.7%.

As far as the Directors are aware, neither the Directors, their associates, nor those shareholders, which to the knowledge of the Directors owned more than 5% of the Company’s share capital had any beneficial interests in the five largest customers and suppliers.

### 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  
Khoo Ken Wee  
Li Yuen Cheuk Thomas  
Law Ping Wah Bernard  
Law Ka Kin Eugene (appointed on 12 June 2000)  
Kwok Oi Kuen Joan Elmond (appointed on 3 October 2000)

#### *Independent Non-executive Directors:*

Wong Chuk Yan  
Leung Ka Kui Johnny (appointed on 25 October 2000)  
Chan Hak Sin (appointed on 25 October 2000)  
Lam Kin Chung (resigned on 21 September 2000)  
Chan Yau Ching Bob (resigned on 25 October 2000)

In accordance with bye-law 86(2) of the Company's bye-laws and as agreed among the Directors, Mr Li Yuen Cheuk Thomas shall retire and, being eligible, offer himself for re-election.

In accordance with bye-law 87(2) of the Company's bye-laws, Messrs Kwok Oi Kuen Joan Elmond, Leung Ka Kui Johnny and Chan Hak Sin shall retire by rotation and, being eligible, offer themselves for re-election.

### 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

No Director had a significant beneficial interest in any material contract to the business of the Company to which the Company or any of its holding company, subsidiaries was a party during the year.

### Directors' Remuneration

Details of the aggregate emolument paid to the Directors of the Company are set out in note 7 to the financial statements.

### Five Highest Paid Employees

Details of the aggregate emoluments paid to the five highest paid employees of the Group are set out in note 8 to the financial statements.

### Retirement Benefit Scheme

The Group has a defined contribution pension scheme ("Pension Scheme") for its employees, the assets of the Pension Scheme are held separately in an independently administrated fund. Contributions to the Pension Scheme are made from both the employer and the eligible employee based on 5% of eligible employees' basic salaries and will be charged to the income statement as incurred. In respect of those employees who leave the Pension Scheme before the employer's contributions become fully vested, the relevant portion of the contributions forfeited will be reverted to the Group to offset future employer's contributions.

On 10 July 2000, the Company separated the assets of the pension scheme for the employees of COL Group under COL's own name, the assets of which are held separately from those of COL Group in an independently administrated fund. All the terms and conditions of pension scheme of COL are the same as the Pension Scheme operated by the Company.

The Group operated a new pension scheme under rules and regulations of Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") and terminated the Pension Scheme on 1 December 2000, after the implementation of MPF Scheme. All the assets of the Pension Scheme will be transferred to the MPF Scheme in early 2001. The assets of the MPF Scheme are held separately in an independently administrated fund. The Group has chosen to follow the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The relevant aggregate income will be further subject to the relevant monthly income cap imposed by the

Group according to the internal grades of the employees with the maximum monthly income cap set up by the Group. The contributions are charged to the income statement as incurred. In respect of employees who leave the Pension Scheme before the employer's voluntary contributions (represents contributions in excess of the mandatory MPF requirements plus all the assets transferred from the Pension 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 to the Pension Scheme charged to income statement, net of forfeited contributions of HK\$1,079,000 amounted to HK\$1,776,000 for the year ended 31 December 2000.

### Directors' Interests in Securities

As at 31 December 2000, 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") were as follows:

#### 1. Interests in shares or debentures

##### A. The Company

##### (a) Interests in ordinary shares

Name	Personal	Number of shares beneficially held		Shareholding (%)
		Corporate	Other Interest	
Kwan Pak Hoo Bankee*	—	—	3,001,246,376	50.66
Khoo Ken Wee**	30,000,000	2,692,019,826	—	45.95
Li Yuen Cheuk Thomas	30,037,500	—	—	0.51
Law Ping Wah Bernard	54,249,828	—	—	0.92
Law Ka Kin Eugene	2,500,000	—	—	0.04
Kwok Oi Kuen Joan Elmond	4,000,000	—	—	0.07

\* The shares are held as to 2,692,019,826 shares by Cash Guardian and as to 309,226,550 shares by Suffold Resources Limited ("Suffold"). Mr Kwan is deemed to be interested in all these shares as a result of his interests in Cash Guardian and Suffold as disclosed in the "Substantial shareholders" below.



\*\* The shares are held as to 30,000,000 shares personally and as to 2,692,019,826 shares by Cash Guardian. Mr Khoo is deemed to be interested in the shares held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the “Substantial shareholders” below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 2,692,019,826 shares held by Cash Guardian.

(b) Interests in warrants

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

Name	Amount of warrants beneficially held		
	Personal (HK\$)	Corporate (HK\$)	Other Interest (HK\$)
Kwan Pak Hoo Bankee*	—	—	159,976,285.30
Khoo Ken Wee**	1,950,000.00	144,876,749.55	—
Li Yuen Cheuk Thomas	1,952,437.50	—	—
Law Ping Wah Bernard	3,526,238.30	—	—
Law Ka Kin Eugene	162,500.00	—	—
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 Suffolk. Mr Kwan is deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffolk as disclosed in the “Substantial shareholders” below.

\*\* The amount of warrants are held as to HK\$1,950,000.00 personally and as to HK\$144,876,749.55 by Cash Guardian. Mr Khoo is deemed to be interested in the warrants held by Cash Guardian as a result of his interests in Cash Guardian as disclosed in the “Substantial shareholders” below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the HK\$144,876,749.55 amount of warrants held by Cash Guardian.

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

Interests in ordinary shares in COL

Name	Number of shares beneficially held			Shareholding (%)
	Personal	Corporate	Other Interest	
Kwan Pak Hoo Bankee*	–	–	1,107,619,945	54.96
Khoo Ken Wee**	3,000,000	1,078,152,090	–	53.65
Li Yuen Cheuk	3,003,750	–	–	0.15
Law Ping Wah Bernard	5,424,982	–	–	0.27
Law Ka Kin Eugene	250,000	–	–	0.01
Kwok Oi Kuen Joan Elmond	400,000	–	–	0.02

\* The shares are held as to 1,030,264,783 shares by Celestial Investment Group Limited (“CIGL”) (a wholly-owned subsidiary of CASH), as to 47,887,307 shares by Cash Guardian and as to 29,467,855 shares by Suffold. Mr Kwan is deemed to be interested in all these shares as a result of his interests in CASH, Cash Guardian and Suffold as disclosed in the “Substantial shareholders” below.

\*\* The shares are held as to 3,000,000 shares personally, as to 1,030,264,783 shares by CIGL and as to 47,887,307 shares by Cash Guardian. Mr Khoo is deemed to be interested in all these shares as a result of his interests in CASH and Cash Guardian as disclosed in the “Substantial shareholders” below.

For avoidance of doubt, the above interests held by Mr Kwan and Mr Khoo have taken into account the 1,030,264,783 shares held by CIGL and 47,887,307 shares held by Cash Guardian.

Save as disclosed above, as at 31 December 2000, 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. Right to acquire shares in the Company

The Company has a share option scheme approved by the shareholders under which the directors may, at their discretion, invite any employee or executive director of the Group 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 note 27 to the financial statements.

Details of movements in the share options granted to certain Directors and which remained outstanding as at 31 December 2000 were as follows:

Name	Date of option granted	Number of options outstanding as at 1 January 2000	Number of options granted	Number of options outstanding as at 31 December 2000	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
Khoo Ken Wee	4/10/1999	20,000,000	–	20,000,000	8/4/2000-7/4/2002	0.59
Li Yuen Cheuk Thomas	4/10/1999	20,000,000	–	20,000,000	8/4/2000-7/4/2002	0.59
Law Ping Wah Bernard	4/10/1999	40,000,000	–	40,000,000	8/4/2000-7/4/2002	0.59
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
Kwok Oi Kuen Joan	4/10/1999	5,750,000	–	5,750,000	8/4/2000-7/4/2002	0.59
Elmond	6/11/2000	–	15,000,000	15,000,000	16/5/2001-15/5/2003	0.27

*B. Rights to acquire shares in COL*

Pursuant to a share option scheme of COL adopted on 20 November 2000 (“Scheme”), COL may grant options to executive directors and full time employees of COL or its subsidiaries to subscribe for shares in COL for a consideration of HK\$1 for each lot of share options granted.

The Scheme is subject to the administration by a committee of the board of directors including the independent non-executive directors of COL and, where applicable, the Independent Non-executive Directors of the Company.

The subscription price for shares under the Scheme will be a price determined by the Committee but may not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer of the option, and (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotations sheets on the five business days immediately preceding the date of offer of the option on which there were dealings in the shares on GEM, and (iii) the nominal value of the share.

Options granted are exercisable at any time during the exercise period resolved by the Board but in any case such exercise period shall not be less than three years and not beyond 19 November 2010. The maximum number of shares in respect of which options may be granted shall not exceed 30% of the issued share capital of COL in issue from time to time, and the maximum number of shares in respect of which options may be granted to any one executive director or employee is limited to 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

No options were granted by COL since the Scheme was approved.

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 any such rights.

### Substantial Shareholders

As at 31 December 2000, 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 of shareholder	Number of Shares	Shareholding %
Jeffnet Inc ( <i>Note 1</i> )	3,001,246,376	50.66
Kwan Pak Hoo Bankee ( <i>Note 1</i> )	3,001,246,376	50.66
Khoo Ken Wee ( <i>Note 2</i> )	2,722,019,826	45.95
Cash Guardian	2,692,019,826	45.44

*Notes:*

- (1) The shares are held as to 2,692,019,826 shares by Cash Guardian (which is 60% beneficially owned by Jeffnet Inc ("Jeffnet")) and as to 309,226,550 shares by Suffold (which is 100% beneficially owned by Jeffnet). Jeffnet held these shares as trustee of The Jeffnet Unit Trust, units of which are held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan and Jeffnet are deemed to be interested in the aggregate shares held by Cash Guardian and Suffold.
- (2) The shares are held as to 30,000,000 shares personally by Khoo Ken Wee and as to 2,692,019,826 shares by Cash Guardian (which is 40% beneficially owned by Khoo Ken Wee). Mr Khoo is deemed to be interested in all the shares held by Cash Guardian pursuant to the SDI Ordinance.
- (3) For avoidance of doubt, the shares in notes (1) and (2) have taken into account the 2,692,019,826 shares held by Cash Guardian.

Save as disclosed above, at 31 December 2000, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

### Purchase, Redemption or Sale of Listed Securities

During the year ended 31 December 2000, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### Post Balance Sheet Events

Details of the significant post balance sheet events of the Group are set out in note 39 to the financial statements.

### Compliance with the Code of Best Practice

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

### Audit Committee

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice on 28 June 1999. The audit committee comprises members of Messrs Leung Ka Kui Johnny and Chan Hak Sin, both being Independent Non-executive Directors and were appointed during the year in place of the former independent non-executive directors.

### Auditors

There has been a change in auditors of the Company during the year. Messrs Deloitte Touche Tohmatsu have been appointed as auditors of the Company in place of Messrs Ernst & Young on 9 August 2000.

The financial statement for the year have been audited by Messrs Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Bankee P Kwan**

*Chairman & CEO*

Hong Kong, 16 March 2001