

CHAIRMAN'S CHATROOM



Why did you restructure the group? Why did CASH acquire Pricerite? Are you considering exiting the securities industry after the completion of the merger?

I prefer to answer the last part of your question first. The answer is no. We have absolutely no intention to exit the securities industry. CFSG deputy chairman Eugene Law and his team did a remarkable job of rationalising the business operations and diversifying the business into a multi-faceted full service financial services company. Cash flow and revenue are both stabilised and product diversity will reinforce our stable position as well as provide attractive growth opportunities in the future.

Going back to our restructuring, it wasn't a spur of the moment reaction to the economic difficulties. It's been three years in the making. I knew from the first time I stepped foot into the company that we cannot remain solely in the securities industry indefinitely. You may recall, when I first took over the helm, the company was struggling to stay afloat thanks to the 1997 Asian financial crisis. The securities brokerage business is simply too cyclical in nature. We needed to broaden our revenue stream with something less susceptible to the periodic fluctuation in our markets.

Building a core business based around stable service businesses for our future is ideal. We are a Hong Kong company and that's the direction Hong Kong is going. Pricerite is actually a perfect fit. Like CASH, it's a household name here. We could swiftly deploy our forte in managing financial, human and brand capital and quickly make a difference. The encouraging results brought in by Pricerite CEO Thomas Li and his team in the short time they took over proves my point.

Then please explain how does Transtech or Halo fit into the overall picture?

First of all, let me stress that although each of our CEOs focuses solely on their respective business objectives, it doesn't matter which business we're in now, or in the future, we're bound by a common belief that we'll only succeed if we serve our customers well. It really doesn't matter who the customer is or what we are delivering. CASH Group companies shall always apply this belief when we do business.

Secondly, we are in a knowledge-based economy. It's also a chosen path for Hong Kong. I know all the downside with technology investments: fierce competition, short lifecycles, and rapidly changing product demand. But they also have a very persuasive upside: high growth potential. Our service based core businesses can provide stable funding to nurture these strategic investments. In return, these investments have the potential of high returns at levels that frankly, our more mature service based businesses may struggle to deliver. In this respect, they fit well together.

Thirdly, I'm not saying it'll be easy. There's no easy and lasting business. Management must always have the courage and resolve to tackle difficult business situations and turn them into vital possibilities for our shareholders. I'm not someone who would shy away from a challenge. The same can be said for my colleagues here as well.

Then why did you make all the provisions?

Well, when it comes to technology it's always a bit like a child learning to walk. No matter how many doting parents and grandparents you have running after you, you'll have to take a few knocks before you master the skill. It doesn't matter whether you've invested in technology as a user or an investor; you're bound to stumble every so often.

We made a few investments in technology businesses in Silicon Valley and Hong Kong and China. When the technology boom halted, they encountered hard times much like the rest of the sector. As I mentioned, technology businesses are characterised by fierce competition and extremely short product lifecycles. So out of prudence, we decided to make sufficient provisions for these investments.

I must stress this though; the technologies we invested in are still viable. These are still ongoing businesses. What's more important, we haven't given up on them. So don't be surprised if we write back some of the provisions in the future.

So what does the future holds for CASH and its businesses?

I'm certain that we've put the worst behind us. Towards the end of 2000, I threw down the gauntlet. Our CEOs took up the challenge admirably and completed all the imperatives that transformed our company into the multi-faceted service conglomerate we have now. Now, as their businesses become leaner and stronger, we become leaner and stronger.

Take a look at our financial capital. Thanks to our determined rationalisation efforts, we managed to preserve capital for CASH, CFSG and Pricerite. We now enjoy strong balance sheets with low borrowings.

Next, look at our brand equities. 2001 saw intense competition for CFSG and Pricerite, but yet we managed to grow our client base with limited advertising and promotion expenditure. Our constant efforts to enhance our brand capital via fulfilling our brand promise will ensure that both these brands will be enduring and persuasive to the Hong Kong consumers.

As to our human capital, Churchill's words really described our people's strength in character quite well in this address in 1941. He said: "do not let us speak of darker days: let us speak rather of sterner days. These are not dark day; these are great days..." Having witnessed the resolve and resourcefulness demonstrated by our people last year, I have every confidence that our businesses are well capitalised here.

With all our core assets in place, we are well prepared to capture any opportunities as the current business cycle ebbs and the next one rises.

