

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31st December 2000, the Group had bank balances and cash of HK\$351,681,000, whilst bank loans and overdrafts amounted to HK\$150,520,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$316,123,000. In addition, the Group had unutilized banking facilities amounting HK\$86,332,000 from various banks. The Group's borrowings are in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group at the normal market interest rate.

The Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

As at 31st December 2000 and 1999, the gearing ratio of the Group was 31%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

The Directors are comfortable that existing financial resources will be sufficient for its expansion plans.

CAPITAL STRUCTURE

On 11th January 2000, the Company allotted and issued 110,000,000 warrants to professional investors by way of private placing at an issued price of HK\$0.228 per warrant. The warrants entitle the holders thereof to subscribe up to HK\$55,000,000 in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.50 per share (subject to adjustment) at any time up to and including 11th January 2003. During the year, 5,892,000 shares had been allotted and issued upon exercise of the warrants. Total warrant proceeds net of issuing expenses amounted to HK\$23,059,000, of which approximately HK\$22,500,000 has been allocated to be used for upgrading computer system for sales operation to enable its future integration with the Group's internet website and

the balance is for working capital purposes. None of the proceeds has been utilized during the year.

On 30th June 2000, the Company issued an aggregate principal amount of HK\$70,000,000 convertible note which carries interest at 6% per annum payable in arrears and are due two years from the date of issue, being major part of the consideration for acquisition of a real estate agency.

During the year, the Group granted 2,125,000 and 1,500,000 share options to the directors and certain employees respectively. 1,727,000 and 2,325,000 share options lapsed in accordance with the terms of share option scheme due to resignation of the holders and the expiry of the exercisable period respectively. There were no share options exercised by the directors and employees of the Group in accordance with the terms of the share option scheme during the year.

The Group purchased a total of 500,000 ordinary shares from the open market in May 2000. All such shares were cancelled subsequently and their respective share certificates were destroyed.

As at 31st December 2000, 595,189,000 ordinary shares were in issue by the Company.

STAFF AND REMUNERATION POLICIES

As at 31st December 2000, the Group employed 2,143 full time employees of which 1,831 were sales agents and 312 were back office supportive employees.

The Group remunerates its employees and sales agents largely based on industry practice, individual performance and experience. Payments made to employees and sales agents remain highly competitive. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits for both the directors and employees. On staff development, training and development programmes are conducted on a regular basis.