



Management Discussion and Analysis

Liquidity, Financial Resources and Funding

As at 31st December 2002, the Group had bank balances and cash of HK\$211,976,000, whilst bank loans and overdrafts amounted to HK\$89,895,000. 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\$131,323,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	45,436
After 1 year but within 2 years	16,155
After 2 years but within 5 years	28,304

The Company had an aggregate principal amount of HK\$70,000,000 convertible note which carried interest at 6% per annum payable in arrears. The Company repaid the whole outstanding principal with interest on 2nd July 2002.

In addition, the Group had unutilised banking facilities amounting HK\$120,017,000 from various banks. The Group's borrowings are in Hong Kong Dollars, there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2002, the gearing ratio of the Group was 21%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

The Directors are of the view that there are sufficient financial resources to satisfy its capital commitments and on-going working capital requirements.

Acquisition and Investment

Pursuant to a subscription agreement (the "Subscription Agreement") dated 10th April 2000 made between Midland CyberNet Limited ("Midland CyberNet") (formerly known as Midland Realty Cyber Agency Limited), Gorich Profits Limited ("Gorich") (formerly known as Hong Kong Property Services (Holdings) Limited) and the Company, Gorich agreed to subscribe for 20% of the entire issued share capital of Midland CyberNet at the subscription price of HK\$40,000,000 (the "Subscription Price"). At 30th June 2000, the completion date of the Subscription Agreement, Midland CyberNet allotted and issued 20,000 shares ("Subscription Shares") representing 20% of its entire issued share capital immediately after the allotment to Litech Investment Limited ("Litech"), the nominee appointed by Gorich (the "Disposal").

Under the Subscription Agreement, Midland CyberNet and Gorich agreed that if within two years from 30th June 2000 Midland CyberNet is not listed (with market capitalisation of not less than HK\$250,000,000 upon listing) on a recognised stock exchange, Gorich may require the Subscription Shares be transferred to a person nominated by the Company and the Company shall pay or procure the payment of the Subscription Price and bear any stamp duty payable in relation to such transfer (the "Right"). The gain of HK\$30,443,000 resulting from the Disposal was deferred and included as a non-current liability in prior periods.

On 8th July 2002, Gorich exercised the Right pursuant to the Subscription Agreement as Midland CyberNet has not listed on or before 30th June 2002 and the Subscription Shares were transferred from Litech to Atomic Resources Limited, a wholly-owned subsidiary of the Company, at a consideration of HK\$40,000,000 (equivalent to the Subscription Price). The



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deferred income of HK\$30,443,000 was therefore reversed accordingly. Following the completion of the transfer of the Subscription Shares, Midland CyberNet and its underlying subsidiaries became wholly-owned subsidiaries of the Company.

The Group had acquired a 30% equity interest in a company which is in the process of applying for the listing of its shares in the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited during the year at a consideration of HK\$29,800,000. Subsequent to 31st December 2002, the Group decided to withdraw from the investment as certain conditions of the sale and purchase agreement entered into between the Group and the vendors cannot be fulfilled. The whole amount of HK\$29,800,000 paid by the Group was fully refunded and accordingly, the amount paid at 31st December 2002 was included in current assets as a temporary payment.

During the year, the Group has purchased listed corporate bonds with zero coupon rate and a maturity date of 9th June 2003 amounting to HK\$31,487,000 as at the year end.

Contingent Liabilities

The Company executed corporate guarantees 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.

Staff and Remuneration Policies

As at 31st December 2002, the Group employed 2,742 full time employees of which 2,439 were sales agents and 303 were back office supporting employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. 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, both in-house and external training and development programmes are conducted on a regular basis.