

# C O N T E N T S

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## DIRECTORS

**Executive Directors**

Mr **Wong** Kin Yip, Freddie (*Chairman*)

Mr **Fung** Yui Sum

(*Managing Director and Deputy Chairman*)

Mr **Ling** Kwok Fai, Joseph

Ms **Ip** Kit Yee, Kitty

**Independent Non-Executive Directors**

Mr **Au** Son Yiu

Mr **Chung** Kam Wing, Calvin

Mr **Kan** Chung Nin, Tony

Mr **Lai** Dominic

## COMPANY SECRETARY

Mr **Ling** Kwok Fai, Joseph, ACIS

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL  
PLACE OF BUSINESS IN HONG  
KONG

Rooms 2505-8, 25th Floor

World-wide House

19 Des Voeux Road Central

Hong Kong

## AUDITORS

Coopers & Lybrand

*Certified Public Accountants*

23rd Floor, Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

## PRINCIPAL BANKERS

Belgian Bank

Dao Heng Bank Limited

Liu Chong Hing Bank Limited

The Hongkong and Shanghai Banking  
Corporation Limited

Standard Chartered Bank

## HONG KONG LEGAL ADVISERS

Iu, Lai & Li

9th and 15th Floors

The Bank of East Asia Building

10 Des Voeux Road Central

Hong Kong

## BERMUDA LEGAL ADVISERS

Conyers, Dill & Pearman

3408 Two Exchange Square

8 Connaught Place

Central

Hong Kong

PRINCIPAL REGISTRARS AND  
TRANSFER OFFICE

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH  
REGISTRARS AND TRANSFER  
OFFICE

Abacus Share Registrars Limited

10th Floor, Caroline Centre

28 Yun Ping Road

Causeway Bay

Hong Kong

## NOTICE OF

## ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Chater Room, Basement 1, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 22 April 1997 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 1996;
2. To declare a final dividend;
3. To re-elect Directors and to fix the Directors' remuneration;
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration;

By order of the Board  
**Ling Kwok Fai, Joseph**  
*Company Secretary*

Hong Kong, 10 March 1997

*Notes:--*

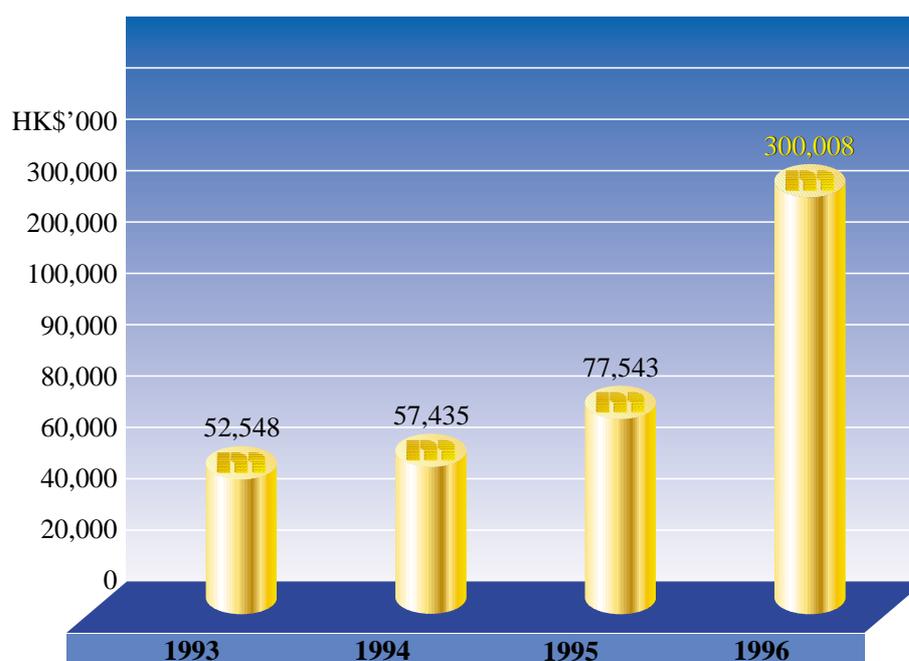
1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong Branch Registrars, Abacus Share Registrars Limited at 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong, together with a power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from Wednesday, 16 April 1997 to Tuesday, 22 April 1997, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's Hong Kong Branch Registrars, Abacus Share Registrars Limited at 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Tuesday, 15 April 1997.

# FINANCIAL HIGHLIGHTS

## TURNOVER



## PROFIT ATTRIBUTABLE TO THE MEMBERS



# CHAIRMAN'S STATEMENT



Chairman - Mr Wong Kin Yip, Freddie

On behalf of the Group, I am pleased to present our audited consolidated accounts for the financial year ended 31 December 1996.

## FINANCIAL REVIEW

1996 was the best of years for the Group in terms of returns and achievements. The Group succeeded in meeting objectives in these key areas: training staff and sales agents, recruiting professionals, opening more branches, furthering market penetration, and controlling costs. Hence, the Group was able to catch the property market recovery and achieve the most impressive performance since our establishment in the early seventies.

The Group's turnover soared 170% to \$1,304 million in 1996. Profit attributable to the members rose 287% to \$300 million. Earnings per share increased by 195% to 130 cents.

## DIVIDENDS AND BONUS ISSUE

The Board of Directors are pleased to declare a final dividend of 39.5 cents per share, subject to approval by shareholders at the Annual General Meeting. Together with the interim dividend of 12.5 cents per share already distributed in August 1996, the total dividends per share for the year will amount to 52 cents.

The Board of Directors also recommend the transfer and capitalisation of the Company's share premium account for the issuance of bonus shares on the basis of three new shares for every two existing shares held as at the close of business on Tuesday, 22 April 1997. These bonus shares will not be entitled to any proposed final dividend for the year ended 31 December 1996, but will, when issued, rank *pari passu* in all other respects with the existing shares.

**BUSINESS REVIEW****OPENING BRANCHES EXTENSIVELY**

The Group added 76 branches to its network in 1996, bringing the total to 160 as of 31 December, and almost doubling the year-ago number. Since the property market rebounded considerably in the course of the year, our proactive branch opening strategy paid off, as was evident in the increase in transaction volume and value.

**INCREASING TRANSACTION VOLUME SIGNIFICANTLY**

The property market rallied across the board last year, especially towards the fourth quarter. At the Land Registry, a total of 147,423 sale and purchase agreements of all property categories was recorded in the year, up 50% from the number of transactions tallied in 1995. In fact, the volume was a record high since 1992. Taking advantage of increased activity, the Group brokered 25,691 sale and rental transactions in 1996, more than doubling the volume for 1995.

**GAINING RECOGNITION AS PROFESSIONAL AGENCY**

Under professional management, the Group won kudos from various sectors despite intensifying competition. In mid-year, readers voted the Group a “Most Popular Real Estate Agency” in the first such contest organized by the Hong Kong Economic Times. Meanwhile, the Group won agency agreements to broker sales of units from major developers. In December, the Group was appointed an agency of the Government to handle sales of certain former civil servant quarters. All this was proof of that Midland Realty's goodwill was felt in different sectors, from property end-users to property developers to the Government.

**MAKING INROADS IN CHINA**

The Group's business in China gained considerable grounds last year. Targeting mainly listed companies and major enterprises based in Hong Kong, the Group made a name as project consultants and sole agents in packaging and marketing shopping malls in key PRC cities. Among the projects successfully marketed are: Dalian Furama Hotel Shopping Mall, Yi An Plaza Shopping Mall, World Brand Shopping Mall of Garden Hotel and Shun Hing Square World-brand Shopping Mall. Late last year, the Group signed sole agency agreements to lease commercial space for Kumagai Gumi's World-brand Shopping Mall, Sky Central Plaza in Guangzhou and Lai Sun Development's The Entertainment Plaza Shopping Mall in Guangzhou. And ever since mid-year, the Group has been operating as a licensed wholly foreign owned real estate agency in Shanghai.

**ACQUIRING PREMISES TO REDUCE OVERHEAD**

To lower the pressure of escalating rents and to secure a beachhead at viable locations, the Group purchased premises on a strategic basis. Management is confident that in doing so, the Group has been able to sharpen its competitive edge.

**BUSINESS PLANS AND PROSPECTS****OPPORTUNITIES IN YEAR AHEAD**

Management believes that on the heels of last year's rally, the property market will continue to be active in the year of the change in sovereignty. On the whole, positive developments will outweigh negative factors. On threat of fresh anti-speculation measures from the Government, the industry association of developers set a limit of 20% on company buyers of pre-sale flats in December. More recently in January, the Hong Kong Monetary Authority also issued guidelines to banks to lower the mortgage ceiling for luxury homes to just 60%. We expect some consolidation in the luxury homes sector and flow of capital into the mass residential sector.

But the Government's key objective is to encourage home ownership, as stated in its "Long-term Housing Strategy Review" released in January. Meanwhile, the Government also plans to allow the resale of Home Ownership Scheme ("HOS") units in three years instead of 10. As a major real estate agency, we expect to take advantage of these opportunities as they arise.

**NEW BUSINESS IN NEW MARKETS**

The Group is poised to cultivate new markets as Tung Chung develops into a New Town by virtue of the new airport and Tseung Kwan O takes shape along with the extension of mass transit railway. Moreover, recently launched major residential estates such as the Metro City, Discovery Park and Laguna Verde will provide the momentum for the secondary market for years to come, thus providing the Group with yet another source of agency business.

**TAPPING HOS ESTATES AND OLD URBAN DISTRICTS**

Having identified HOS homes as a viable sector two years ago, the Group has been pursuing this business decidedly. We now have branches in the HOS estates of Tin Ma Court, Richland Gardens and Chun Man Court. We are committed to increasing our presence in this sector as it comes of age with

## CHAIRMAN'S STATEMENT

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the relaxation of restrictions on HOS flat resales. On a separate front, the Group also will take advantage of Government's objective to speed up urban renewal projects. Recognising the market potentials of old urban districts, the Group established branches in Shamshuipo, Tai Kok Tsui and Kwun Tong, and will be on the lookout for more viable locations to expand in this segment.



### SETTING UP AS SURVEYORS

As a step towards diversification, the Group established a surveying department under the supervision of a chartered surveyor in early 1997. Besides offering individual customers property appraisal service, our surveying department also will participate actively in auctions and tenders, with a view towards strengthening the Group's interest in large-scale projects and sparking synergy with the core business of real estate brokering.

### ENHANCING THE PRC BUSINESS

A market with vast potentials, China is becoming more noteworthy as economic conditions improve. Our approach towards the PRC market is one of cautious optimism. After opening a branch in Shanghai, the Group is planning to set up in Shenzhen and Beijing as well within the year. Besides strengthening our project consultancy role with shopping malls, we also shall extend our agency service in both the primary and secondary markets, with a view towards fostering referral business between Hong Kong and China.

In late 1996, the Group signed sole agency agreements to market World-brand Shopping Mall, Sky Central Plaza's and The Entertainment Plaza Shopping Mall. These projects should contribute earnings to the Group in 1997.

### STRENGTHENING TRAINING FOR A COMPETITIVE EDGE

To prepare for the imminent introduction of real estate agent licensing requirements, the Group established five training centres in 1996. This year, we shall continue to focus on staff training in all relevant areas, namely, legal aspects of real estate, brokering techniques, media handling techniques, and computer skills. There is a course for different staff, from the sales agent at a branch to the clerk in the back office.

# CHAIRMAN'S STATEMENT

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## OFFERING RIDES ON THE INFORMATION HIGHWAY

Updated and enhanced in 1996, our internet web site offers the latest property transactions and market forecasts for easy public reference. Moreover, web site navigators can access our “self-service property appraisal” by computer, while callers can get the latest market data by phone. The Group will introduce more services along these lines in the coming year.

## CONCLUSION

The Group believes that the property market will continue on a steady uptrend this year. We are poised for further expansion to improve our competitive position. We are also confident that, barring any unforeseen circumstances, the Group will continue to reach new heights in financial and business growth. On behalf of the Board of Directors, I would like to take this opportunity to thank our customers, our staff and agents, and our shareholders for their support over the past year.

By order of the Board  
**Mr Wong Kin Yip, Freddie**  
*Chairman*

Hong Kong, 10 March 1997

# MANAGEMENT DISCUSSION AND ANALYSIS



Managing Director and Deputy Chairman - Mr Fung Yui Sum

## LIQUIDITY AND FINANCIAL RESOURCES

The Group raised approximately HK\$62 million after deduction of expenses from the issuance of 24 million new shares under a placing and subscription agreement dated 29 January 1996. Proceeds from the new shares have been applied to finance expansion and investment plans and for general working capital purposes.

As at 31 December 1996, the Group's cash balance totalled HK\$348.5 million, with HK\$94.8 million set aside for dividend distribution in April 1997.

The Group generally finances its operations with internally-generated cashflow and banking facilities provided by its principal bankers. The Group currently has aggregate composite banking facilities of approximately HK\$214.7 million with various banks.

## CAPITAL STRUCTURE

Pursuant to the placing and subscription agreement dated 29 January 1996, the Company allotted and issued 24 million new shares of HK\$0.10 each on 14 February 1996. During 1996, certain directors of the Group exercised their share options under the share option scheme resulting in the issue of 16 million new shares of HK\$0.10 each.

As at 31 December 1996, 240 million ordinary shares were in issue with total shareholders' funds of the Group amounting to HK\$431.5 million.

In October 1996, share options were granted to a director of a subsidiary and if these options are fully exercised, another 1 million new shares of HK\$0.10 each will be issued.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 1996, the Group employed 1,708 full time employees and agents of which 1,437 were sales executives. The Group remunerates its employees and agents largely based on industry practice where sales personnel receive fixed salaries and commission payments and non-sales personnel receive fixed salaries and discretionary bonus payments paid semi-annually. All payments made to employees and agents remain highly competitive. Other staff benefits include medical and education subsidies, plus a share option scheme for both the Directors and the employees.

# REPORT OF THE DIRECTORS

The directors present herewith their report and the accounts for the year ended 31 December 1996.

## ACCOUNTS

The results for the year are set out in the consolidated profit and loss account on page 21.

The state of affairs of the Group and the Company as at 31 December 1996 are set out in the balance sheets on pages 22 and 23 respectively.

The cash flows of the Group are set out in the statement on page 24.

## PRINCIPAL ACTIVITIES

The Company continues to be an investment holding company. The principal activities of its subsidiaries continue to be real estate broking and marketing of all types of properties.

An analysis of the Group's turnover and contribution to trading results by principal activities for the year is as follows:—

	<b>Turnover</b> <i>HK\$'000</i>	<b>Contributions to operating profit before associated company and taxation</b> <i>HK\$'000</i>
Residential property broking services	1,188,488	341,052
Industrial and commercial property broking services	105,034	25,616
Real estate marketing services	10,440	(1,369)
	<u>1,303,962</u>	<u>365,299</u>

An analysis of the Group's turnover and contribution to trading results by geographical locations has not been presented as substantially all of the Group's turnover and contribution to trading results are derived from operations carried on by the Group in Hong Kong. Operations carried on by the Group outside Hong Kong comprise less than 10% of the Group's turnover and 10% of contribution to trading results of the Group.

## DIVIDENDS

The directors recommend the payment of a final dividend of HK\$0.395 per share totalling HK\$94,800,000 in respect of the year ended 31 December 1996.

# REPORT OF THE DIRECTORS

## RESERVES

The amounts and particulars of material transfers to and from reserves during the year are set out in note 14 on pages 43 and 44.

## DISTRIBUTABLE RESERVES

As at 31 December 1996, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$123,205,000.

## DONATIONS

Donations made by the Group during the year amounted to HK\$168,963.

## FIXED ASSETS

The movements in fixed assets of the Group during the year are set out in note 9 on pages 36 and 37.

## BONUS ISSUE

The directors have decided to recommend to shareholders at the Special General Meeting to be held on 22 April 1997, that a bonus issue of three new shares for every two shares held on 22 April 1997 be made by capitalisation from the share premium account of the Company. The bonus shares will, when issued, rank *pari passu* in all respects with the existing issued shares of the Company except that they will not rank for the proposed final dividend for the year ended 31 December 1996. No fractional bonus shares will be allotted and shares representing fractional entitlements will be aggregated and sold for the benefit of the Company.

Subject to the approval of the shareholders at the Special General Meeting and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("Stock Exchange") granting listing of, and permission to deal in, the bonus shares, and (if applicable) conditional upon the Bermuda Monetary Authority granting permission for the issue of such shares, the bonus shares will be issued to shareholders whose names appear on the register of members of the Company at the close of the business on 22 April 1997. Share certificates for the bonus shares are expected to be despatched to shareholders on or before 30 April 1997. Applications will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the bonus shares and (if applicable) to the Bermuda Monetary Authority for the permission to issue such shares.

Other than on the Stock Exchange, there is no other stock exchange on which any of the shares in issue of the Company are listed or dealt in, or on which listing or permission to deal is being or is proposed to be sought.

## SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital of the Company and share options granted and exercised during the year are set out in note 13 on pages 40 to 42.

# REPORT OF THE DIRECTORS

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the laws in Bermuda.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in note 13(a) and (b) on page 40, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

## SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 1996 are set out on pages 48 to 50.

## BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans and overdrafts as at 31 December 1996 are repayable as follows:—

	<i>HK\$'000</i>
On demand or within a period not exceeding one year	10,886
Within a period of more than one year but not exceeding two years	11,447
Within a period more than two years but not exceeding five years	36,796
Within a period of more than five years	46,703
	<hr/>
	105,832
	<hr/> <hr/>

Apart from the above, the Group has no other borrowings as at 31 December 1996.

# REPORT OF THE DIRECTORS

## RESULTS, ASSETS AND LIABILITIES

The results, assets and liabilities of the Group for the last five financial years are as follows:—

	1992 <i>HK\$'000</i>	1993 <i>HK\$'000</i>	1994 <i>HK\$'000</i>	1995 <i>HK\$'000</i>	<b>1996 <i>HK\$'000</i></b>
Profit attributable to the members	25,431	52,548	57,435	77,543	<b>300,008</b>
Total assets	70,136	155,036	186,346	300,646	<b>997,359</b>
Total liabilities	31,339	63,614	89,932	126,738	<b>565,857</b>
Net assets	38,797	91,422	96,414	173,908	<b>431,502</b>

The results, assets and liabilities for each of the three years ended 31 December 1994 have been prepared on a combined basis as if the group structure, which became effective in May 1995, had been in existence throughout the years concerned.

The results, assets and liabilities for each of the two years ended 31 December 1996 have been prepared on a consolidated basis.

## ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Chairman's Statement on pages 4 to 8.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of turnover and purchases attributable to the Group's five largest customers and suppliers are less than 30% of total turnover and less than 30% of total purchases respectively during the year and therefore no additional disclosure with regard to major customers and suppliers is made.

# REPORT OF THE DIRECTORS

## DIRECTORS

The directors who held office during the year and up to the date of this report were:–

Mr **Wong** Kin Yip, Freddie

Mr **Fung** Yui Sum

Mr **Ling** Kwok Fai, Joseph

Ms **Ip** Kit Yee, Kitty

Mr **Au** Son Yiu\*

Mr **Chung** Kam Wing, Calvin\*

Mr **Kan** Chung Nin, Tony\*

Mr **Lai** Dominic\*

\* Independent non-executive directors

Mr **Chung** Kam Wing, Calvin and Mr **Lai** Dominic retire in accordance with section 87 of the Company's bye-laws and, being eligible, offer themselves for re-election.

## DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out as follows:–

### EXECUTIVE DIRECTORS

Mr **Wong** Kin Yip, Freddie, aged 47, is the co-founder and chairman of the Company. He is responsible for strategic planning and day-to-day overall management of the Group. In addition to overseeing the management of sales teams, Mr Wong is also involved in key managerial decisions and strategies implementation. He has almost 25 years of experience in the real estate broking business. He was appointed as an executive director and the chairman of the Company in October 1993.

Mr **Fung** Yui Sum, aged 45, is the co-founder, managing director and deputy chairman of the Company. He is responsible for overseeing the divisions dealing with industrial, commercial and investment property broking. He also manages the Group's operations in the People's Republic of China and overseas markets. In addition, he is the vice-president of the Society of Hong Kong Real Estate Agents Limited ("SHKREA"). He was formerly the chairman of the practice committee of the SHKREA (1992 – 1996) responsible for enhancing the image and standards of the real estate broking industry in Hong Kong. He was also a guest lecturer of the real estate courses organised by the City Polytechnic of Hong Kong between 1991 and 1993. He has over 25 years of experience in the real estate broking business. He was appointed as an executive director, managing director and deputy chairman of the Company in October 1993.

## REPORT OF THE DIRECTORS

Mr **Ling** Kwok Fai, Joseph, aged 41, is the executive director and company secretary of the Company with overall corporate, management and control responsibilities. He is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. He has over 17 years of experience in accounting, finance and administration. He was appointed as an executive director of the Company in October 1993.

Ms **Ip** Kit Yee, Kitty, aged 37, is the executive director responsible for the general management and administration of the Group overseeing the areas of human resources, recruitment, training, administration and branch network development. She is also responsible for formulating plans and policies to improve effectiveness in operation and control of the Company. Ms Ip was appointed as an executive director of the Company in October 1993.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr **Au** Son Yiu, aged 51, is a registered investment adviser and has extensive experience in the securities industry. He is a dealing director of HLG Securities (HK) Ltd, a director of China Point Stock Brokers Ltd. and I & P Securities Ltd., a consultant to Dao Heng Securities Limited and a non-executive director for several public companies listed on the Stock Exchange. In addition, he was formerly the deputy chairman of the Hong Kong Securities Clearing Co. Ltd. (1992 – 1994) and a council member of the Stock Exchange (1988 – 1994). Mr Au was appointed as an independent non-executive director of the Company in October 1994. He was appointed and resigned as an executive director of the Company in November 1995 and in September 1996 respectively. He was appointed as an independent non-executive director of the Company in September 1996.

Mr **Chung** Kam Wing, Calvin, aged 50, LL.B., is a practising solicitor in Hong Kong and Vancouver B.C., Canada. Mr Chung has been a partner of the Hong Kong law firm of Lawrence Ong & Chung since May 1989. In March 1986, he was called to the Bar of British Columbia and subsequently became a partner of the Vancouver firm of Alexander, Holburn, Beaudin & Lang in December 1989. He was appointed as an independent non-executive director of the Company in November 1993.

Mr **Kan** Chung Nin, Tony, aged 46, LL.B., P.C.LL., is a practising solicitor in Hong Kong and the founder and senior partner of the Hong Kong law firm of Messrs Tony Kan & Co since 1984. He was appointed by the Chinese Ministry of Justice as a China Appointed Attesting Officer in June 1993. He has been an elected member of the District Board of Shatin since 1985 and is presently a councillor of the Regional Council. Mr Kan also serves in many prominent professional and social organisations, such as Yan Oi Tong (a charitable organisation in the New Territories, of which he was the chairman in 1988) and Rotary Club of Shatin (of which he was the president in 1993). He was awarded the Badge of Honour by Governor of Hong Kong for his social contributions in 1989. Mr Kan was appointed as a Hong Kong District Affairs Adviser by Hong Kong Xin Hua News Agency in 1994. He was appointed as an independent non-executive director of the Company in October 1994.

Mr **Lai** Dominic, aged 50, is a senior partner of the Hong Kong law firm of Iu, Lai & Li, legal advisers to the Company on Hong Kong law. He is a practising solicitor in Hong Kong and is also admitted in England, Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is also a non-executive director of several other public companies listed on the Stock Exchange. He was appointed as an independent non-executive director of the Company in November 1993.

# REPORT OF THE DIRECTORS

## SENIOR MANAGEMENT

Mr **Cheung Kam Shing**, aged 33, is a director of Midland Realty International Limited, a wholly owned subsidiary of the Company. He has extensive experience in real estate broking and marketing, and is responsible for overseeing the divisions dealing with residential property broking in Kowloon and New Territories. Mr Cheung has served the Group for 10 years.

Ms **Lam Fung Fong**, aged 35, is the financial controller and appointed as a director of the property investment and property management companies of the Group. She has over 11 years of experience in accounting and finance. She is an associate member of the Hong Kong Society of Accountants and a fellow member of the Chartered Association of Certified Accountants. She is currently in charge of the overall financial and accounting functions, and management information systems of the Group. Ms Lam joined the Group in 1995.

## DIRECTORS' SERVICE CONTRACTS

As at 31 December 1996, the Company had agreements with two companies controlled respectively by the following directors for the provision of management services by these directors to the Group:—

<b>Directors</b>	<b>Term of service</b>	<b>Expiry date</b>
Mr <b>Wong Kin Yip</b> , Freddie	3 years	30 April 1998
Mr <b>Fung Yui Sum</b>	3 years	30 April 1998

Apart from the above, there is no other similar service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party, and in which any director had a material interest, subsisted at the end of the year or at any time during the year.

# REPORT OF THE DIRECTORS

## PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 December 1996, the directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:–

	Number of ordinary shares beneficially held		Percentage of holding
	Personal interest	Corporate interest	
Mr <b>Wong</b> Kin Yip, Freddie	5,000,000 ( <i>note (a)</i> )	102,000,000 ( <i>note (c)</i> )	50.93%
	1,236,000	14,000,000 ( <i>note (d)</i> )	
Mr <b>Fung</b> Yui Sum	5,000,000 ( <i>note (b)</i> )	102,000,000 ( <i>note (c)</i> )	51.26%
	1,528,000 ( <i>note (f)</i> )	14,500,000 ( <i>note (e)</i> )	
Mr <b>Ling</b> Kwok Fai, Joseph	2,000,000	Nil	0.83%
Ms <b>Ip</b> Kit Yee, Kitty	100,000	Nil	0.04%

*Notes:*

- (a) These shares are held by Sunluck Services Limited in trust for Mr Wong Kin Yip, Freddie.
- (b) These shares are held by Everchamp Consultants Limited in trust for Mr Fung Yui Sum.
- (c) These shares are owned by Rollas Enterprises Limited, a private company in which each of Mr Wong Kin Yip, Freddie and Bright News Limited holds a 50% interest.
- (d) These shares are owned by Sunluck Services Limited, a private company controlled by Mr Wong Kin Yip, Freddie through Southern Field Trading Limited.
- (e) These shares are owned by Everchamp Consultants Limited, a private company controlled by Bright News Limited through Bright Coin Trading Limited.
- (f) 1,438,000 shares are in name of HKSCC Nominees Limited and others are in Mr Fung Yui Sum’s own name.
- (g) Bright News Limited is wholly and beneficially owned by the Billy Fung Family Trust, a discretionary trust, the discretionary objects of which include Mr Fung Yui Sum and his family members.

Save as disclosed above, no directors, chief executives and their associates have any beneficial or non-beneficial interests in the share capital of the Company and associated corporations required to be disclosed/notified pursuant to the SDI Ordinance and the Model Code.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Certain directors and chief executives have been granted options to subscribe shares in the Company under the Company's shares option scheme. Details of it are set out in note 13(c) on pages 40 to 42.

Apart from the above:—

- (a) at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate; and
- (b) none of the directors, chief executives, their spouses or children under the age of 18 had been granted any right to subscribe for equity or debt securities of the Company.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 1996, the register of interests kept by the Company under section 16(1) of the SDI Ordinance showed that, the Company had not been notified of any interest (other than that of the directors as disclosed on page 18) amounting to 10% or more of the Company's issued share capital required to be disclosed pursuant to the SDI Ordinance.

## POST BALANCE SHEET DATE EVENTS

Details of significant post balance sheet date events are set out in note 21 on page 47.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The directors are pleased to confirm that throughout the year ended 31 December 1996, the Company has complied with the Code of Best Practice of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") except that independent non-executive directors are not appointed for a specified term as recommended under the Appendix 14 of the Listing Rules. According to the bye-laws of the Company, independent non-executive directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

## AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be put at the annual general meeting.

On behalf of the Board  
**Wong Kin Yip, Freddie**  
*Chairman*

Hong Kong, 10 March 1997

**REPORT OF**  
**THE AUDITORS**

**Coopers  
& Lybrand**

永道會計師事務所

**TO THE MEMBERS OF MIDLAND REALTY (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

We have audited the accounts set out on pages 21 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1996 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Coopers & Lybrand**  
*Certified Public Accountants*

Hong Kong, 10 March 1997

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

Year ended 31 December 1996

	<i>Note</i>	<b>1996</b> <b>HK\$'000</b>	1995 HK\$'000
<b>Turnover</b>	2	<b><u>1,303,962</u></b>	<u>482,630</u>
<b>Operating profit</b>	3	<b>365,299</b>	94,976
<b>Share of profit/(loss) of an associated company</b>		<b><u>408</u></b>	<u>(565)</u>
<b>Profit before taxation</b>		<b>365,707</b>	94,411
<b>Taxation</b>	4(a)	<b><u>(62,152)</u></b>	<u>(16,114)</u>
<b>Profit after taxation</b>		<b>303,555</b>	78,297
<b>Interests of minority shareholders</b>		<b><u>(3,547)</u></b>	<u>(754)</u>
<b>Profit attributable to the members of Midland Realty (Holdings) Limited</b>	6&14	<b><u>300,008</u></b>	<u>77,543</u>
<b>Earnings per share</b>	8	<b><u>HK\$1.30</u></b>	<u>HK\$0.44</u>

The notes on pages 25 to 51 form an integral part of these accounts.

Auditors report – page 20.

**CONSOLIDATED BALANCE SHEET**

31 December 1996

	<i>Note</i>	<b>1996</b> <i>HK\$'000</i>	1995 <i>HK\$'000</i>
<b>Employment of capital</b>			
<b>Fixed assets</b>	9	<b>270,322</b>	73,113
<b>Investments</b>	10	<b>1,532</b>	167
<b>Current assets</b>	11	<b>725,505</b>	227,366
<b>Deduct:</b>			
<b>Current liabilities</b>	12	<b>462,957</b>	113,991
<b>Net current assets</b>		<b>262,548</b>	113,375
		<b>534,402</b>	<b>186,655</b>
<b>Capital employed</b>			
<b>Share capital</b>	13	<b>24,000</b>	20,000
<b>Reserves</b>	14	<b>407,502</b>	153,908
<b>Total capital and reserves</b>		<b>431,502</b>	173,908
<b>Minority interests</b>		<b>3,301</b>	1,261
<b>Non-current liabilities</b>	15	<b>99,599</b>	11,486
		<b>534,402</b>	<b>186,655</b>

Approved by the Board of Directors on 10 March 1997

On behalf of the Board

**Wong Kin Yip, Freddie**  
*Director*

**Fung Yui Sum**  
*Director*

The notes on pages 25 to 51 form an integral part of these accounts.

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**BALANCE SHEET**

31 December 1996

	<i>Note</i>	<b>1996</b> <i>HK\$'000</i>	1995 <i>HK\$'000</i>
<b>Employment of capital</b>			
<b>Investments</b>	<i>10</i>	<b>108,501</b>	108,501
<b>Current assets</b>	<i>11</i>	<b>276,464</b>	87,709
<b>Deduct:</b>			
<b>Current liabilities</b>	<i>12</i>	<b>100,107</b>	31,179
<b>Net current assets</b>		<b>176,357</b>	56,530
		<b>284,858</b>	<b>165,031</b>
<b>Capital employed</b>			
<b>Share capital</b>	<i>13</i>	<b>24,000</b>	20,000
<b>Reserves</b>	<i>14</i>	<b>231,427</b>	145,031
<b>Total capital and reserves</b>		<b>255,427</b>	165,031
<b>Non-current liabilities</b>	<i>15</i>	<b>29,431</b>	–
		<b>284,858</b>	<b>165,031</b>

Approved by the Board of Directors on 10 March 1997

On behalf of the Board  
**Wong Kin Yip, Freddie**  
*Director***Fung Yui Sum**  
*Director*

The notes on pages 25 to 51 form an integral part of these accounts.

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# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1996

	<i>Note</i>	<b>1996</b> <i>HK\$'000</i>	1995 <i>HK\$'000</i>
<b>Net cash inflow from operating activities</b>	<i>16</i>	<b>351,141</b>	53,262
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>10,072</b>	3,830
Interest paid		<b>(5,541)</b>	(1,802)
Dividends paid		<b>(62,296)</b>	(20,000)
Dividends paid to minority shareholders		<b>(1,600)</b>	(1,200)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(59,365)</b>	(19,172)
<b>Taxation</b>			
Hong Kong profits tax paid		<b>(17,907)</b>	(11,066)
<b>Investing activities</b>			
Purchase of fixed assets		<b>(217,557)</b>	(15,601)
Proceeds from disposal of fixed assets		<b>211</b>	316
Loan repaid		<b>(980)</b>	(189)
<b>Net cash outflow from investing activities</b>		<b>(218,326)</b>	(15,474)
<b>Net cash inflow before financing</b>		<b>55,543</b>	7,550
<b>Financing</b>			
Proceeds from issue of shares		<b>82,990</b>	64,000
New issue and listing expenses		<b>(1,440)</b>	(13,828)
Bank loans raised		<b>110,193</b>	3,200
Repayment of bank loans		<b>(18,388)</b>	(3,071)
<b>Net cash inflow from financing</b>	<i>17</i>	<b>173,355</b>	50,301
<b>Increase in cash and cash equivalents</b>		<b>228,898</b>	57,851
<b>Cash and cash equivalents at 1 January</b>		<b>117,599</b>	59,748
<b>Effect of foreign exchange rate changes</b>		<b>27</b>	–
<b>Cash and cash equivalents at 31 December</b>	<i>18</i>	<b>346,524</b>	117,599

The notes on pages 25 to 51 form an integral part of these accounts.

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**1. PRINCIPAL ACCOUNTING POLICIES**

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and with accounting standards issued by the Hong Kong Society of Accountants.

**(a) Basis of consolidation**

- (i) The consolidated accounts include the accounts of the Company and all its subsidiaries. Internal transactions are eliminated on consolidation and all figures in the consolidated accounts relate to external transactions only.
- (ii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal. The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Company's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the profit and loss account. The Company's interests in subsidiaries are stated at cost less any provision made to the extent that the directors consider significant permanent diminution in value has taken place.
- (iii) Minority interests represent the interests of outside members in the operating results and net assets of subsidiaries.
- (iv) Capital reserve arising on shares exchanged on merger represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration therefor.
- (v) Reserve arising on consolidation represents the excess of the fair value of net assets of subsidiaries acquired over the cost of investment at the dates of acquisition and is credited directly to the reserves in the year of acquisition.
- (vi) Goodwill on consolidation, which represents the excess of cost of investment over the fair value of the net assets of subsidiaries at the dates of acquisition, is charged against reserves to the extent that such reserves are available and any excess is charged against the profit and loss account in the year of acquisition.

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

**(b) Subsidiaries**

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half their voting power or issued share capital or controls the composition of their board of directors. Investments in subsidiaries in the Company's balance sheet are stated at cost less provision for any permanent diminution in value.

**(c) Associated companies**

Associated companies are companies other than subsidiaries in which the Group holds not less than 20% of the equity as long term investments and has the ability to exercise a significant influence in their management. Results of the associated companies are accounted for by the Group using the equity method of accounting and by the Company on the basis of dividends received and receivable.

**(d) Fixed assets****(i) Investment properties**

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their long term investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market value at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease. The gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset, together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the profit and loss account.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(ii) Leasehold land and buildings**

Leasehold land and buildings are stated at cost/valuation, being fair value at the date of revaluation, less subsequent accumulated depreciation or amortisation. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

In previous years the Group carried its land and buildings at revalued amounts. Effective from 1 January 1996 no further revaluations will be carried out. The aggregate carrying value of such assets at 1 January 1996 amounted to HK\$46,469,000 and this amount will be amortised or depreciated over the remaining useful lives of the relevant asset. The Group places reliance on paragraph 72 of Statement of Standard Accounting Practice No. 17 ("SSAP 17"), issued by the Hong Kong Society of Accountants, which provides exemption from the need to make regular revaluations of such assets.

**(iii) Leasehold improvements**

Leasehold improvements are stated at cost less accumulated amortisation or depreciation and any provisions required to reflect recoverable amount. Cost represents the purchase price of the asset and other costs incurred to bring the asset into its existing use.

**(iv) Amortisation of leasehold land**

Amortisation of leasehold land is calculated to write off its valuation over the unexpired period of the lease. The Group has entered into a number of leases which will expire within 45 to 133 years.

In prior years, interests in long term leasehold land were recorded in the balance sheet at cost/valuation and were not depreciated. With effect from 1 January 1996, the Group adopted the method of amortising long term leasehold land prospectively over the unexpired period of the lease in order to comply with SSAP 17. As a result of the adoption of this accounting policy, the depreciation charge for the year has been increased by HK\$938,000.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Depreciation of leasehold buildings/improvements

Depreciation of leasehold buildings/improvements is calculated to write off their cost/valuation over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rates used for this purpose are:-

Leasehold buildings	2%
Leasehold improvements	33 <sup>1</sup> / <sub>3</sub> %-50%

(vi) Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of other tangible fixed assets is calculated to write off their cost on the straight line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 25%.

(vii) Impairment of fixed assets

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal.

The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.

(viii) Gain or loss on disposal of fixed assets

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(ix) Cost of restoring and improving fixed assets**

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

**(x) Leased assets**

Where assets are acquired through finance leases or hire purchase contracts under which substantially all the risks and rewards of ownership, other than legal title, are transferred to the Group, the assets are treated as if they had been purchased. An amount equivalent to the cost is recorded as a fixed asset. The corresponding lease commitments are shown as obligations under finance leases and hire purchase contracts. Payments to the lessor are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account using Rule of 78, over the period of the lease. Assets held under finance leases or hire purchase contracts are depreciated over the shorter of their estimated useful lives or lease periods as in (v) and (vi) above.

All other leases are accounted for as operating leases and the rental payments are charged to the profit and loss account as they arise.

**(e) Accounts receivable**

Provision is made against accounts receivable to the extent which they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(f) Taxation**

The charge for taxation is based on the result for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

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**1. PRINCIPAL ACCOUNTING POLICIES (Continued)****(g) Translation of foreign currencies**

- (i) Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.
- (ii) The Group's share of post-acquisition net assets in an overseas associated company are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The Group's share of the post-acquisition results of the overseas associated company are translated into Hong Kong dollars at the average rates of exchange for the year. Exchange differences arising are taken directly to the exchange fluctuation reserve.

**(h) Revenue**

- (i) Agency fee revenue from property broking and marketing services is recognised when the relevant agreement becomes unconditional or irrevocable.
- (ii) Interest income and revenue from the letting of investment properties are recognised on a time proportion basis.

**2. TURNOVER AND REVENUE**

Turnover comprises revenue derived from property broking and marketing less discounts allowed.

# NOTES TO THE ACCOUNTS

31 December 1996

## 3. OPERATING PROFIT

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
<b>The operating profit is stated after charging:–</b>		
Auditors' remuneration	778	719
Depreciation of fixed assets	22,490	8,095
Interest on bank loans	5,541	1,802
Provision for bad debts	10,127	8,646
Operating lease rentals in respect of land and buildings	88,202	47,734
Loss on disposal of fixed assets	88	478
Deficit on revaluation of investment property ( <i>note 9(a)</i> )	–	168
<b>and after crediting:–</b>		
Interest income	10,072	3,830
Gross rental income from investment properties	932	80
Less: outgoings	–	19
Net rental income from investment properties	932	61
Write back of a deficit on revaluation of an investment property previously charged to profit and loss account ( <i>note 9(a)</i> )	168	–

## 4. TAXATION

(a)

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	58,853	16,185
Over-provision in previous year	(416)	(946)
Transferred to deferred taxation account	3,715	875
	<b>62,152</b>	<b>16,114</b>

Hong Kong profits tax is calculated at the rate of 16.5% (1995: 16.5%) on the estimated assessable profit for the year.

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31 December 1996

4. TAXATION (Continued)

(b) Taxation in the consolidated balance sheet represents provision for Hong Kong profits tax for the year less the amounts of provisional tax paid.

(c) The movements in the deferred taxation account are as follows:–

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Balance brought forward	<b>938</b>	63
Transferred from profit and loss account	<b>3,715</b>	875
	<hr/>	<hr/>
Balance carried forward ( <i>note 15</i> )	<b><u>4,653</u></b>	<b><u>938</u></b>

(i) Deferred taxation represents full provision of the tax effect of timing differences arising from accelerated depreciation allowances of fixed assets.

(ii) Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties as the surplus does not constitute a timing difference for taxation purposes.

5. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of the directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:–

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Directors' fees	<b>80</b>	–
Basic salaries, allowances and other benefits in kind	<b>12,613</b>	9,305
Discretionary bonuses	<b>18,351</b>	112
Directors' pensions	–	–
	<hr/>	<hr/>
	<b><u>31,044</u></b>	<b><u>9,417</u></b>

Directors' fees represent HK\$80,000 payable to independent non-executive directors.

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5. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Certain directors and senior management have been granted options to acquire ordinary shares of the Company under the Company's share option scheme. Details of the option granted and exercised since the approval of the scheme are set out in note 13(b) and (c) on pages 40 to 42.

- (b) The number of directors whose emoluments fell within the following bands are set out as below. The emoluments represent the amount paid to or receivable by the directors of the Company in the respective financial years and are stated net of the benefits derived or to be derived from the share options granted under the Company's share option scheme to acquire ordinary shares of the Company.

Emoluments bands HK\$	Group Number of directors	
	1996	1995
0 – 1,000,000	4	8
1,000,001 – 1,500,000	1	–
2,500,001 – 3,000,000	–	2
3,000,001 – 3,500,000	–	1
3,500,001 – 4,000,000	1	–
13,000,001 – 13,500,000	2	–
	8	11
	8	11

No directors waived their emoluments in respect of the years ended 31 December 1996 and 1995.

5. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

- (c) Among the five highest paid individuals, four of them are directors of the Company and the details of their remuneration have already been disclosed in the preceding paragraph.

The aggregate amounts of the remaining highest paid individual whose emoluments fell within the band from HK\$ nil to HK\$1,000,000 and have not been disclosed in directors' emoluments noted above are as follows:-

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Basic salaries, allowances and other benefits in kind	<b>665</b>	635
Discretionary bonuses	<b>186</b>	62
Pension contributions	—	—
	<u>          </u>	<u>          </u>
	<b>851</b>	697
	<u>          </u>	<u>          </u>

6. PROFIT ATTRIBUTABLE TO THE MEMBERS OF MIDLAND REALTY (HOLDINGS) LIMITED

Included in the profit attributable to the members of Midland Realty (Holdings) Limited of HK\$300,008,000 (1995: HK\$77,543,000) is a profit of HK\$135,094,000 (1995: HK\$37,206,000), including dividend from a subsidiary of HK\$135,000,000 (1995: HK\$37,000,000), which is dealt with in the Company's own accounts.

7. DIVIDENDS

	<b>Company</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Special dividends paid by subsidiaries to their then shareholders prior to the Company becoming the holding company of the Group in May 1995	—	20,000
Adjustment to 1995 final dividend	<b>1,498</b>	—
Interim – HK\$0.125 (1995: HK\$ Nil) per share	<b>29,950</b>	—
Proposed final – HK\$0.395 (1995: HK\$0.135) per share	<b>94,800</b>	30,848
	<u>          </u>	<u>          </u>
	<b>126,248</b>	50,848
	<u>          </u>	<u>          </u>

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31 December 1996

**8. EARNINGS PER SHARE**

- (a) The calculation of earnings per share for 1996 is based on the profit attributable to the members of Midland Realty (Holdings) Limited of HK\$300,008,000 (1995: HK\$77,543,000) and on the weighted average number of 231,411,000 (1995: 178,219,000) shares in issue during the year.
- (b) In the event that share options outstanding and exercisable at 31 December 1996 totalling 330,000 (1995: 16,000,000) were exercised in full, the fully diluted earnings per share would not be significantly different from the earnings per share as disclosed in the consolidated profit and loss account on page 21.

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# NOTES TO THE ACCOUNTS

31 December 1996

## 9. FIXED ASSETS – GROUP

	Investment properties in Hong Kong HK\$'000	Land and buildings in Hong Kong HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost or valuation</b>							
Brought forward							
At cost	–	–	16,163	7,313	17,277	2,971	43,724
At 1995 professional valuation	3,200	46,750	–	–	–	–	49,950
	3,200	46,750	16,163	7,313	17,277	2,971	93,674
Additions at cost	7,645	151,696	22,221	4,762	31,233	–	217,557
Disposals	–	–	(118)	(72)	(330)	–	(520)
Transfer from/(to)							
investment properties	2,550	(2,550)	–	–	–	–	–
Adjustment on revaluation	2,405	–	–	–	–	–	2,405
	15,800	195,896	38,266	12,003	48,180	2,971	313,116
Carried forward as follows:-							
At cost	–	151,696	38,266	12,003	48,180	2,971	253,116
At 1995 professional valuation	–	44,200	–	–	–	–	44,200
At 1996 professional valuation	15,800	–	–	–	–	–	15,800
	15,800	195,896	38,266	12,003	48,180	2,971	313,116
<b>Aggregate depreciation</b>							
Brought forward	–	281	6,630	5,155	7,159	1,336	20,561
Charge for the year	–	1,896	11,693	1,511	6,647	743	22,490
Transfer from/(to)							
investment properties	36	(36)	–	–	–	–	–
Adjustment on revaluation	(36)	–	–	–	–	–	(36)
Disposals	–	–	(56)	(30)	(135)	–	(221)
Carried forward	–	2,141	18,267	6,636	13,671	2,079	42,794
<b>Net book value at</b>							
<b>31 December 1996</b>	<b>15,800</b>	<b>193,755</b>	<b>19,999</b>	<b>5,367</b>	<b>34,509</b>	<b>892</b>	<b>270,322</b>
Net book value at							
31 December 1995	3,200	46,469	9,533	2,158	10,118	1,635	73,113

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9. FIXED ASSETS - GROUP (Continued)

- (a) The investment properties were revalued by an employee of the Group, Mr Maxwell Y.C. Chiu, associate member of the Royal Institution of Chartered Surveyors, associate member of Hong Kong Institute of Surveyors, on open market value basis on 31 December 1996. The surplus arising on revaluation amounting to HK\$2,441,000 of which HK\$2,273,000 and HK\$168,000 were taken directly to the investment properties revaluation reserve account (*note 14*) and profit and loss account (*note 3*) respectively.
- (b) The carrying amount of land and buildings that would be included in the accounts if land and buildings were carried at cost less depreciation is HK\$192,917,000 (1995: HK\$45,912,000) for the Group.
- (c) The net book value of investment properties and land and buildings comprises:-

Period unexpired	<b>Group</b>		<b>Total</b> HK\$'000
	<b>Investment</b> <b>properties in</b> <b>Hong Kong</b>	<b>Land and</b> <b>buildings in</b> <b>Hong Kong</b>	
	HK\$'000	HK\$'000	
Medium term leases (less than 50 years but not less than 10 years)			
At 1995 professional valuation less subsequent accumulated depreciation	-	10,697	10,697
Long leases (not less than 50 years)			
At cost less subsequent accumulated depreciation	-	150,620	150,620
At 1995 professional valuation less subsequent accumulated depreciation	-	32,438	32,438
At 1996 professional valuation	15,800	-	15,800
	<u>15,800</u>	<u>193,755</u>	<u>209,555</u>

- (d) At 31 December 1996, all the investment properties, land and buildings with a total net book value of HK\$209,555,000 (1995: HK\$39,462,000) are pledged to certain banks as security for bank loans granted to the Group (*note 20*).

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10. INVESTMENTS

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	1995	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Subsidiaries	–	–	<b>108,501</b>	108,501
Associated company	<b>1,532</b>	167	–	–
	<u><b>1,532</b></u>	<u>167</u>	<u><b>108,501</b></u>	<u>108,501</u>

(a) Subsidiaries

	<b>Company</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<u><b>108,501</b></u>	<u>108,501</u>

Details of subsidiaries are set out on pages 48 to 50.

(b) Associated company

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Share of net assets other than goodwill	<b>1,583</b>	1,198
Loan from an associated company ( <i>note (ii)</i> )	<u><b>(51)</b></u>	<u>(1,031)</u>
	<u><b>1,532</b></u>	<u>167</u>

(i) Details of the associated company are set out on page 51.

(ii) The balance is unsecured, interest free and has no fixed terms of repayment.

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# NOTES TO THE ACCOUNTS

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## 11. CURRENT ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	1995	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Due from subsidiaries	–	–	<b>135,907</b>	50,709
Accounts receivable	<b>320,781</b>	78,111	–	–
Prepayments and deposits	<b>56,260</b>	30,636	–	–
Dividend receivable from a subsidiary	–	–	<b>135,000</b>	37,000
Cash and bank balances	<b>348,464</b>	118,619	<b>5,557</b>	–
	<u><b>725,505</b></u>	<u>227,366</u>	<u><b>276,464</b></u>	<u>87,709</u>

## 12. CURRENT LIABILITIES

	<b>Group</b>		<b>Company</b>	
	<b>1996</b>	1995	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Accounts payable	<b>223,236</b>	45,488	–	–
Other payables and accrued charges	<b>83,659</b>	24,230	<b>255</b>	331
Taxation ( <i>note 4(b)</i> )	<b>48,876</b>	8,346	<b>20</b>	–
Current portion of non-current liabilities ( <i>note 15</i> )	<b>10,886</b>	3,479	<b>5,032</b>	–
Dividends payable to minority shareholders	<b>1,500</b>	1,600	–	–
Proposed dividend	<b>94,800</b>	30,848	<b>94,800</b>	30,848
	<u><b>462,957</b></u>	<u>113,991</u>	<u><b>100,107</b></u>	<u>31,179</u>

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13 SHARE CAPITAL

	<b>Company</b>	
	<b>Number of shares</b>	<b>HK\$'000</b>
Authorised		
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
At 31 December 1995	200,000,000	20,000
Share placement (a)	24,000,000	2,400
Issue of shares upon exercise of share options (b)	<u>16,000,000</u>	<u>1,600</u>
	<u>240,000,000</u>	<u>24,000</u>

- (a) On 14 February 1996, the Company issued and allotted a total of 24,000,000 new ordinary shares of HK\$0.1 each at a price of HK\$2.65 per share by private arrangement, raising HK\$63,600,000 (before issuing expenses of HK\$1,440,000), to finance the expansion and investment plans and for general working capital of the Group.
- (b) During the year, the Company issued and allotted a total of 16,000,000 new ordinary shares of HK\$0.1 each as a result of the exercise of options granted under the Company's share option scheme for HK\$19,390,000. Details of the Company's share option scheme are set out in note (c).
- (c) On 12 May 1995, a share option scheme was approved by the shareholders of the Company under which the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

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13 SHARE CAPITAL (Continued)

(c) (Continued)

Since the approval of the share option scheme, share options to subscribe for a total of 17,000,000 ordinary shares were granted without consideration to certain directors and an employee of the Group. Details of these options are as follows:–

Name	Date of grant	Date of exercise	Note	Balance outstanding as at 1 January 1996	Options granted during the year	Options exercised during the year	Balance outstanding as at 31 December 1996
Mr WONG Kin Yip, Freddie (director)	2 November 1995	20 May 1996	(i), (iv)	5,000,000	–	(5,000,000)	–
Mr FUNG Yui Sum (director)	2 November 1995	20 May 1996	(i), (iv)	5,000,000	–	(5,000,000)	–
Mr LING Kwok Fai, Joseph (director)	2 November 1995	26 March 1996	(i), (iv)	3,000,000	–	(3,000,000)	–
Ms IP Kit Yee, Kitty (director)	2 November 1995	20 May 1996 30 October 1996	(i), (iv)	1,500,000 –	–	(1,100,000) (400,000)	– –
Mr AU Son Yiu (director)	6 November 1995	15 April 1996	(ii), (iv)	1,500,000	–	(1,500,000)	–
Sub-total for directors				16,000,000	–	(16,000,000)	–
Mr CHEUNG Kam Shing	18 October 1996		(iii)	–	1,000,000	–	1,000,000
Total for directors and an employee				<u>16,000,000</u>	<u>1,000,000</u>	<u>(16,000,000)</u>	<u>1,000,000</u>

(i) The share options granted on 2 November 1995 were exercised at HK\$1.21 per share during the year.

(ii) The share options granted on 6 November 1995 were exercised at HK\$1.23 per share during the year.

(iii) The share options granted on 18 October 1996 are exercisable at HK\$3.60 per share, of which 330,000 shares are exercisable during the period from 18 October 1996 to 18 October 1999, another 330,000 shares are exercisable during the period from 18 October 1997 to 18 October 2000, and the remaining 340,000 shares are exercisable during the period from 18 October 1998 to 18 October 2001.

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13 SHARE CAPITAL (Continued)

(c) (Continued)

(iv) At the dates of exercise, the market price of the shares were as follows:–

<b>Date of exercise</b>	<b>Market price</b>
	HK\$
26 March 1996	3.275
15 April 1996	3.500
20 May 1996	3.375
30 October 1996	4.650

(v) The outstanding share options will be adjusted with the bonus shares (note (d)) when the latter are issued. The number of shares comprising the outstanding share options will be increased by three shares for every two shares in the options and the exercise price per share will be adjusted accordingly.

(d) The directors have decided to recommend to shareholders at the Special General Meeting to be held on 22 April 1997, that a bonus issue of three new shares for every two shares held on 22 April 1997 be made by capitalisation from the share premium account of the Company. The bonus shares will, when issued, rank pari passu in all respects with the existing issued shares of the Company except that they will not rank for the proposed final dividend for the year ended 31 December 1996. No fractional bonus shares will be allotted and shares representing fractional entitlements will be aggregated and sold for the benefit of the Company.

# NOTES TO THE ACCOUNTS

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## 14. RESERVES

	Group		Company	
	1996 HK\$'000	1995 HK\$'000	1996 HK\$'000	1995 HK\$'000
<b>Share premium</b>				
Balance brought forward	30,672	–	30,672	–
New issue of shares	78,990	59,000	78,990	59,000
Capitalisation issue	–	(14,500)	–	(14,500)
New issue and listing expenses	(1,440)	(13,828)	(1,440)	(13,828)
Carried forward	<b>108,222</b>	30,672	<b>108,222</b>	30,672
<b>Exchange fluctuation reserve</b>				
Balance brought forward	(533)	(578)	–	–
Exchange adjustment on translation of the accounts of an overseas subsidiary and an associated company	11	45	–	–
Balance carried forward	(522)	(533)	–	–
<b>Reserve arising on consolidation</b>				
Balance brought forward and carried forward	14,571	14,571	–	–
<b>Investment properties revaluation</b>				
Balance brought forward	–	–	–	–
Transfer from other land and buildings revaluation	118	–	–	–
Adjustment on revaluation during the year	2,273	–	–	–
Balance carried forward	2,391	–	–	–
<b>Other land and buildings revaluation</b>				
Balance brought forward	582	–	–	–
Transfer to investment properties revaluation	(118)	–	–	–
Adjustment on revaluation during the year	–	582	–	–
Balance carried forward	464	582	–	–
<b>Contributed surplus</b>				
Balance brought forward	–	–	108,001	–
Share issued for the acquisition of a subsidiary	–	–	–	108,101
Capitalisation for 1,000,000 shares issued nil paid	–	–	–	(100)
Balance carried forward	–	–	<b>108,001</b>	108,001
<b>Retained profits</b>				
Balance brought forward	108,616	81,921	6,358	–
Profit for the year	300,008	77,543	135,094	37,206
Dividends ( <i>note 7</i> )	(126,248)	(50,848)	(126,248)	(30,848)
Balance carried forward	<b>282,376</b>	108,616	<b>15,204</b>	6,358
	<b>407,502</b>	153,908	<b>231,427</b>	145,031

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14. RESERVES (Continued)

- (a) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of net assets of underlying subsidiaries acquired as at 12 May 1995. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) Included in the Group's retained profits is accumulated losses of HK\$1,134,000 (1995: HK\$1,542,000) attributable to an associated company.

15. NON-CURRENT LIABILITIES

	Group		Company	
	1996	1995	1996	1995
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans – secured	<b>105,832</b>	14,027	<b>34,463</b>	–
Deferred taxation ( <i>note 4(c)</i> )	<b>4,653</b>	938	–	–
	<b>110,485</b>	14,965	<b>34,463</b>	–
Less: amount repayable within one year shown under current liabilities ( <i>note 12</i> )	<b>10,886</b>	3,479	<b>5,032</b>	–
	<b>99,599</b>	11,486	<b>29,431</b>	–

# NOTES TO THE ACCOUNTS

31 December 1996

## 16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996	1995
	HK\$'000	HK\$'000
Operating profit	365,299	94,976
Depreciation of fixed assets	22,490	8,095
Loss on disposals of fixed assets	88	478
Deficit on revaluation of investment property	–	168
Write back of a deficit on revaluation of an investment property previously charged to profit and loss account	(168)	–
Increase in accounts receivable, prepayments and deposits	(268,294)	(48,965)
Increase in bank deposits pledged ( <i>note 18</i> )	(920)	(684)
Increase in accounts payable, other payables and accrued charges	237,177	1,222
Interest income	(10,072)	(3,830)
Interest on bank loans	5,541	1,802
	351,141	53,262
<b>Net cash inflow from operating activities</b>	<b>351,141</b>	<b>53,262</b>

## 17. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1996		1995	
	Share capital including share premium HK\$'000	Bank loans HK\$'000	Share capital including share premium HK\$'000	Bank loans HK\$'000
Balance at 1 January	50,672	14,027	500	13,898
Proceeds from issue of shares	82,990	–	64,000	–
New issue and listing expenses	(1,440)	–	(13,828)	–
Bank loans raised	–	110,193	–	3,200
Repayment of bank loans	–	(18,388)	–	(3,071)
	132,222	105,832	50,672	14,027
Balance at 31 December	<b>132,222</b>	<b>105,832</b>	<b>50,672</b>	<b>14,027</b>

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**NOTES TO THE ACCOUNTS**

31 December 1996

## 18. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>348,464</b>	118,619
Bank deposits pledged ( <i>note 20</i> )	<b>(1,940)</b>	(1,020)
	<u><b>346,524</b></u>	<u>117,599</u>

## 19. COMMITMENTS

## (a) Operating lease commitments

At 31 December 1996, the Group had commitments under non-cancellable operating leases in respect of office and shop premises to make payments in the next year as follows:-

	<b>Group</b>	
	<b>1996</b>	1995
	<b>HK\$'000</b>	HK\$'000
Operating leases expiring		
– within one year	<b>21,269</b>	9,889
– in the second to fifth years inclusive	<b>88,595</b>	47,283
	<u><b>109,864</b></u>	<u>57,172</u>

## (b) Capital commitments

As at 31 December 1996, the Group had capital commitments in respect of acquisition of properties amounting to HK\$64,032,000 (1995: HK\$40,692,000), which are contracted but not provided for in the accounts.

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31 December 1996

**20. PLEDGE OF ASSETS**

At 31 December 1996, bank loans of HK\$105,832,000 (1995: HK\$14,027,000) were secured by investment properties and land and buildings held by the Group with a total net book value of HK\$209,555,000 (1995: HK\$39,462,000) (*note 9(d)*).

In addition, bank deposits amounting to HK\$1,940,000 (1995: HK\$1,020,000) (*note 18*) were pledged to a bank for bank guarantees issued on behalf of subsidiaries for leasing of certain branch premises.

**21. POST BALANCE SHEET DATE EVENTS**

Subsequent to the balance sheet date, the directors recommend a bonus issue of new shares of the Company to be distributed among the shareholders of the Company. Details of the bonus issue are set out in *note 13(d)* on page 42.

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**GROUP STRUCTURE**

31 December 1996

Name	Place/country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
<b>Subsidiaries</b>				
<b>– directly held by the Company</b>				
Astra Profits Limited	British Virgin Islands	Ordinary US\$4	100	Investment holding
<b>– indirectly held by the Company</b>				
Goldlane Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
* King Excellence Ltd	Hong Kong	Ordinary HK\$2	100	Property management
Midland (China) Property Development Limited	Hong Kong	Ordinary HK\$5,000,000	70	Property agent
Midland International Property Agency Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Overseas Property Agency Limited	Hong Kong	Ordinary HK\$500,000	100	Dormant
Midland Property (China) Limited	Hong Kong	Ordinary HK\$500,000	100	Investment holding
Midland Property Consultants Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Property Management Company Limited	Hong Kong	Ordinary HK\$2	100	Property management
Midland Property (Overseas) Limited	Hong Kong	Ordinary HK\$2	100	Dormant
Midland Realty (Aberdeen) Limited	Hong Kong	Ordinary HK\$500,000	80	Property agent

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**GROUP STRUCTURE**

31 December 1996

<b>Name</b>	<b>Place/country of incorporation/ establishment and operation</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Attributable equity interest %</b>	<b>Principal activities</b>
Midland Realty (Comm.) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
*Midland Realty Consultancy (Shanghai) Co., Ltd.	The People's Republic of China	US\$1,000,000	100	Property agent
Midland Realty (DB) Limited	Hong Kong	Ordinary HK\$400,000	100	Property agent
Midland Realty (Fairview) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Ind.) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty International Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Realty (Kln Res.) Limited	Hong Kong	Ordinary HK\$800,000	90	Property agent
Midland Realty (Kornhill) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (LKW) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (North Point) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Shatin) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Strategic) Limited	Hong Kong	Ordinary HK\$10,000 Non-voting Deferred HK\$2,000,000	100	Investment holding

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**GROUP STRUCTURE**

31 December 1996

<b>Name</b>	<b>Place/country of incorporation/ establishment and operation</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Attributable equity interest %</b>	<b>Principal activities</b>
Midland Realty (Tai Po) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (TKS) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Tsuen Wan) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Corporate Agency Limited (formerly known as Midland Realty (Tuen Mun) Limited)	Hong Kong	Ordinary HK\$2	100	Property management
Midland Realty (Whampoa) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Surveyors Limited	Hong Kong	Ordinary HK\$500,000	100	Property valuer
* Perfect Tower Ltd	Hong Kong	Ordinary HK\$2	100	Dormant
Real Gain Limited	Hong Kong	Ordinary HK\$10,000	100	Property investment
Topco Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
Welleson Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
Worldboss Limited	Hong Kong	Ordinary HK\$2	100	Property investment

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# GROUP STRUCTURE

31 December 1996

Name	Place/country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
<b>Associated company</b> – indirectly held by the Company				
Midland (Guangzhou) Real Estate Consultants Ltd.	The People's Republic of China	HK\$5,000,000	49	Property agent

The associated company and Midland Realty Consultancy (Shanghai) Co., Ltd. are not audited by Coopers & Lybrand, Hong Kong.

\* These were subsidiaries newly set up during the year.

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