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MIDLAND REALTY (HOLDINGS) LIMITED

Corporate Information

DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie
(Chairman and Managing Director)

Ms IP Kit Yee, Kitty

Mr CHEUNG Kam Shing

Non-executive Directors

Mr FUNG Yui Sum

Mr WONG Kin Wah, George

*Mr AU Son Yiu

*Mr CHUNG Kam Wing, Calvin

*Mr KAN Chung Nin, Tony

*Mr LAI Dominic

*Independent non-executive directors

COMPANY SECRETARY

Ms LAM Fung Fong, AHKSA FCCA

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

PricewaterhouseCoopers
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

lu, 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

MIDLAND REALTY (HOLDINGS) LIMITED

Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong on 19th May 1999 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 31st December 1998;
2. To declare a final dividend and a special cash bonus;
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;

As special business, to consider and, if thought fit, to pass with or without modifications the following resolutions as ordinary resolutions:

5. To approve the appointment of Mr CHENG Sai Kei, Johnnie as additional director of the Company;
6. "THAT:
 - (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to shares issued as a result of a Rights Issue (as hereinafter defined) or pursuant to the exercise of options under the share option scheme of the Company or any shares allotted in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:–

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside, Hong Kong.)”

7. “THAT:–

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:–

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; or

MIDLAND REALTY (HOLDINGS) LIMITED

Notice of Annual General Meeting



(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. "THAT subject to the passing of resolution nos. 6 and 7, the aggregate nominal amount of shares which are to be purchased by the Company pursuant to the authority granted to the Directors of the Company as mentioned in resolution no.7 shall be added to the aggregate nominal amount of share capital that may be allotted or agreed to be allotted by the Directors of the Company pursuant to resolution no. 6."

By order of the Board
LAM Fung Fong
Company Secretary

Hong Kong, 12th April 1999

Notes:-

1. A member of the Company 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 Thursday, 13th May 1999 to Wednesday, 19th May 1999 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 Wednesday, 12th May 1999.



MIDLAND REALTY (HOLDINGS) LIMITED

Five Year Financial Summary

	Year ended 31st December				
	1994	1995	1996	1997	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	401,271	482,630	1,303,962	1,769,349	906,919
Profit attributable to shareholders	57,435	77,543	300,008	223,387	10,310
Total assets	186,346	300,646	997,359	1,117,679	929,302
Total liabilities	89,932	126,738	565,857	535,026	490,314
Net assets	96,414	173,908	431,502	582,653	438,988

The financial information for the year ended 31st December 1994 has been prepared as if the group structure at the time when the Company's shares were listed on the Stock Exchange had been in existence throughout the year concerned and that the operations of the Group comprised its then business undertaking.



REVIEW

In the financial year ended 31st December, 1998, the Group recorded revenue of HK\$906,919,000, 49% below the 1997 level. Operating profit excluding exceptional items totalled HK\$74,233,000, down by 78% compared to last year.

Hong Kong's economy continued to suffer from the Asian financial crisis in 1998. For the first time in more than a decade, Hong Kong's gross domestic product recorded negative growth. Meanwhile, the unemployment rate hit a new high, banks tightened the credit rein, consumer confidence dwindled, and businesses faced an increasingly tough operating environment. Surely the property market could not steer clear of the turmoil. Property transaction volume and property value tumbled. On top of that, developers waged a cut-throat price war, sending more shock waves through a volatile market. Records at the Land Registry indicate a 46% year-on-year plunge in property sales volume last year to 111,489 transactions, meanwhile the total transaction value slid to HK\$340.9 billion, a significant drop of 61% compared to last year.

The Group however performed much better than the overall market, brokering 28,926 rental and sales transactions, down only 12% from 1997. As can be expected in a downturn, the less competitive property agency were forced out of the market. A considerable number of small to medium-sized real estate agencies closed down. The Group thus was able to increase its market share steadfastly.

In light of the shrinking secondary property market, the Group devoted more efforts to cultivate the primary market as a source of revenue. During the year, nearly 5,000 sales transactions that the Group handled on behalf of developers contributed over 20% in revenue.

Since the outbreak of Asian financial crisis of 1997, the Group has put great efforts to improve productivity, reduce cost and streamline operations. In response to the market sentiments, the Group trimmed its operation network by 47% from 245 branches at the end of 1997 to only 131 branches by the end of 1998. As a result of cutting branches, the rental cost in December 1998 dropped by 51% to HK\$9.14 million comparing with the same period in 1997. Marketing and promotional expenses also dropped by 73% to HK\$3.54 million in the same period.

The Group started implementing the above measures in the first half of 1998 and began to bear fruit in the second half of the year. The Group recorded turnover of HK\$472.20 million in the second half



year, similar to the first half. Nevertheless, the profit attributable to shareholders improved noticeably to HK\$33.03 million in the second half. It proved that the Group made a right decision.

BUSINESS PLAN AND OUTLOOK

So far in 1999, the property market has shown some signs of revival. A semblance of stability is returning as transaction volume stabilises. In the first quarter of 1999, the Land Registry recorded 28,091 property transactions, up 11% from the same quarter in 1998. We believe that the local property scene has seen the worst and is emerging from the trough.

As it is, the Government of the Special Administrative Region is most keen to stimulate the economy. In the Budget for fiscal year 1999/2000, the Government tried to jump-start the recovery by announcing plans for a cyber port, a fisherman's wharf type of commercial and leisure compound, and a theme park with none other than the famous Walt Disney Company. Meanwhile, banks have relaxed their lending policies and interest rates have trended lower. Moreover, the Mortgage Insurance Plan launched allows banks to provide top-up financing of up to 15%, thus essentially raising the mortgage ceiling to 85%. Since prices have come down considerably, to the average buyer, homes are much more affordable nowadays. All these positive factors have been supporting a recovery of the property market in 1999.

The local real estate broking industry entered a new era in this year with the implementation of the licensing system. Although raising the operating costs of real estate agencies, the licensing system is a milestone to professionalise the industry. The Group is confident that it will turn the licensing system to its advantage, being backed by ample financial resources and stringent internal controls.

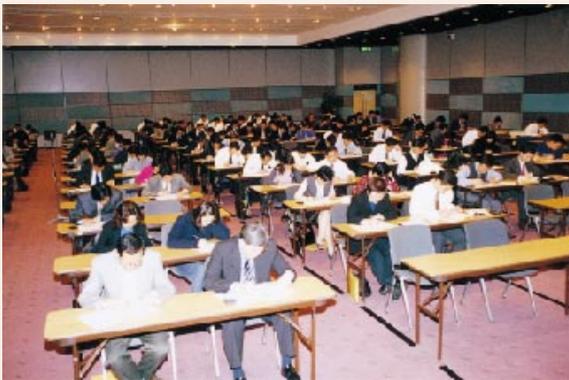
To maintain its market leader position, the Group will take the following course of action:

Control Costs & Trimming Structure

Given the prevailing downturn, the Group has taken the initiative to negotiate for lower rental costs with landlords for its numerous branches. In the first quarter of 1999, 11 branches have been relocated from high rental premises to less expensive properties in the same neighbourhood, thus achieving substantial savings on respective branches' rental costs with the reduction percentage ranging from 9% to 85%. The Group will renegotiate the tenancy agreement of other 46 branch premises of which rental expenses will be reduced greatly. Similarly, back office support departments such as M.I.S, Training, Accounts and Search Departments will be relocated to the Golden Era Plaza in Mongkok within 1999. Other operating costs such as marketing and administrative expenses will also be strictly monitored to improve cost efficiency.

Strengthen Management Team

To meet the challenge ahead, the Group has invited various professionals, including finance, information technology and surveying, to join our management team. Integrating with existing management, it will surely improve the competitive edge of the Group. The Group has also selected a group of the potential front-line staff, providing them with appropriate training that make them become "Second Tier Management Prospects".



Intensify Training

Training to raise agent standards and reduce staff turnover is a long-standing tradition at Midland Realty. Under the licensing system, it is tougher to recruit good quality agents. As a result, the turnover rate may be on the rise. Besides upgrading its training programmes, the Group recently launched the "Midland Realty Elite," a meritorious fraternity that rewards top performers and inspires new recruits.

Reinforce the Branch Network

In view of the improved market condition, the Group has opened new branches where it sees potentials and the rent is considerably reasonable so as to increase the market share. Until the first quarter of 1999, the Group established six new branches.

Enhance the Web Site

For customers and agents alike, property search will be made easier with technological assistance on the Web site. To stay on the leading edge, the Group will introduce within the year new technology to facilitate agents in daily property transactions. All this is part of the Group's efforts to improve service quality.



Develop New Business

On the basis of a complementary relationship cultivated with developers over years, the Group will utilise the advantage of its vast branch network and large market intelligence gathering web to market primary market projects on behalf of developers. Our "Asset Enhancement Group" which is staffed by some of the best in sales, finance, and property valuation, will help corporate clients restructure their assets by identifying opportunities to acquire properties with appreciation potentials and improving the value of their existing portfolios. The Group will also devote more resources to enhance the business of surveying and property valuation.

Strengthen the China Business

Having restructured in 1998, the Group's China and Overseas Department is set squarely on a new course. Business has improved noticeably, especially at the Shanghai office. In 1999, the Department will continue to penetrate the Eastern seaboard while cultivating the Shenzhen market. Besides marketing new projects, the Department also provides developers with preliminary market intelligence gathering in the form of feasibility studies, after-sales service such as property management, and marketing functions such as advertising and promotion strategies. The Department also handles rental service, retail management, and referrals for secondary market mortgage financing. The Group is therefore optimistic in the future of the China business.

MIDLAND REALTY (HOLDINGS) LIMITED

Chairman's Statement

On the whole, the Group believes that 1999 will be a better year. Through the above measures and the support of the staff, the Group is cautiously optimistic in the prospect of this year.

On behalf of the Board, I hereby thank the staff and shareholders for the continuing supports and making the Group pull through with passing grades in 1998.



By order of the Board
WONG Kin Yip, Freddie
Chairman

Hong Kong, 12th April 1999



DIVIDENDS AND SPECIAL CASH BONUS

Hong Kong's property market has now bottomed out since the Asian financial crisis and the Group recorded remarkable profit in the second half of 1998. In 1999, the Group will concentrate on its core business and has no major investment plan on hand and therefore, the Group requires no such a huge cash reserve in the foreseeable future. As such, the Board of Directors has proposed a final dividend and a special cash bonus of 5 cents and 20 cents respectively per share to thank the continuing support of the shareholders. As of today, the Group still maintains a strong cash position and anticipates that after distribution of final dividend and special cash bonus, the Group still has sufficient funds for working capital.

CASH FLOW AND FINANCIAL RESOURCES

During the year, the Group disposed some of its properties with total sales proceeds of HK\$59,755,000 to increase its cash reserves while trimming its gearing. As of 31st December 1998, the Group had bank balances and cash of HK\$282,220,000. In addition, it had unutilised banking facilities amounting to HK\$39,016,000 from various banks.

CAPITAL STRUCTURE

As of 31st December 1998, the number of ordinary shares issued by the Company totalled 592,795,000. No new shares were issued during the financial year.

The Company bought back from the open market 5,226,000 shares of its listed securities during the year. All such shares were cancelled subsequently and their respective share certificates destroyed.

On 1st March 1998, the Group granted share options to 222 qualified employees a total of 5,262,000 shares.

STAFF AND REMUNERATION POLICIES

As of 31st December 1998, the number of individuals working for the Group totalled 1,820 of which 1,583 were sales agents and 237 back office support employees.

In terms of remuneration, the Group adopts a policy that is similar to the industry practice. Sales agents are paid a commission on top of a basic salary, while administrative and marketing staff are remunerated at a fixed salary. All staff may also enjoy a bonus every six months, the amount of which depends on business conditions and company policies.



MIDLAND REALTY (HOLDINGS) LIMITED

Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 1998.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out on pages 48 to 53.

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

	Turnover <i>HK\$'000</i>	Operating profit/(loss) excluding exceptional items <i>HK\$'000</i>	Exceptional items <i>HK\$'000</i>	Operating profit <i>HK\$'000</i>
Principal activities:				
Residential property broking services	836,696	99,941	(13,543)	86,398
Industrial and commercial property broking services	65,258	(7,592)	–	(7,592)
Real estate marketing services	4,965	(11,180)	–	(11,180)
	<u>906,919</u>	<u>81,169</u>	<u>(13,543)</u>	<u>67,626</u>
Property investments	–	–	(40,752)	(40,752)
Net interest expenses	–	(6,936)	–	(6,936)
	<u>906,919</u>	<u>74,233</u>	<u>(54,295)</u>	<u>19,938</u>

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated profit and loss account on page 22.

No interim dividend was declared in respect of the year ended 31st December 1998. The directors recommend the payment of a final dividend and a special cash bonus of HK\$0.05 and HK\$0.20 per ordinary share respectively, totalling HK\$148,199,000.



RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 15 to the accounts.

DISTRIBUTABLE RESERVES

At 31st December 1998, the distributable reserve of the Company available for distribution, net of dividends and special cash bonus proposed, amounted to HK\$139,171,000.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 9 to the accounts.

PRINCIPAL PROPERTIES

Details of the properties held for investment purposes are set out on page 54.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 14 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 6.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 5,226,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$0.33 to HK\$1.37 per share through the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the share purchase are set out in note 14 to the accounts. The directors consider the share purchase will lead to an enhancement of the Group's earnings per share.



DIRECTORS

The directors during the year were:

Executive directors

Mr WONG Kin Yip, Freddie

Ms IP Kit Yee, Kitty

Mr CHEUNG Kam Shing (appointed on 10th June 1998)

Non-executive directors

Mr FUNG Yui Sum

Mr WONG Kin Wah, George

*Mr AU Son Yiu

*Mr CHUNG Kam Wing, Calvin

*Mr KAN Chung Nin, Tony

*Mr LAI Dominic

In accordance with section 87 of the Company's Bye-laws, Mr AU Son Yiu and Mr KAN Chung Nin, Tony retire by rotation and, being eligible, offer themselves for re-election.

In accordance with section 86 of the Company's Bye-laws, Mr CHEUNG Kam Shing retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

* *Independent non-executive directors*

DIRECTORS' SERVICE CONTRACTS

On 1st May 1998, Mr WONG Kin Yip, Freddie entered into a service agreement with the Company for a period of 3 years from 1st May 1998 to 30th April 2001.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out as follows:

Executive directors

Mr WONG Kin Yip, Freddie, aged 49, is the co-founder, managing director and chairman of the Company. He is also the founder of Midland Pacific Realty Limited, a wholly owned subsidiary of the Company, in Vancouver, Canada. He is responsible for the strategic management of the Group, human resources, public relation, marketing management, finance and accounting and is overseeing the sales divisions of the Group. Furthermore, he is also responsible for the key managerial decisions, as well as day-to-day overall management in order to enhance the Group's competitive edge and profitability. Mr WONG has more than 26 years of experience in the real estate broking business. He was appointed as the chairman and the managing director of the Company in October 1993 and May 1998 respectively.

Ms IP Kit Yee, Kitty, aged 39, is the executive director responsible for the overall corporate affairs, management and administration. She is also responsible for formulating plans and policies to improve effectiveness in operation and control of the Group. Ms IP was appointed as an executive director of the Company in October 1993.

Mr CHEUNG Kam Shing, aged 35, is the executive director 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 and participating in the formulation of policy and strategy of the Group. Mr CHEUNG has served the Group for 12 years and was appointed as an executive director of the Company in June 1998.

Non-executive directors

Mr FUNG Yui Sum, aged 47, is the co-founder of the Company. He is appointed by the Chief Executive of the HKSAR as Member of the Estate Agents Authority from November 1997 for a period of two years. During Mr FUNG's appointment with Estate Agents Authority, he is the chairman of Training Committee and member of Practice Committee. In addition, he was formerly the vice-president of the Society of Hong Kong Real Estate Agents Limited (1996-1997) responsible for enhancing the image and standards of the real estate broking industry in Hong Kong. He has over 26 years of experience in the real estate broking business and was the executive director, managing director and deputy chairman of the Company from October 1993 to April 1998. He became a non-executive director of the Company in May 1998.

Mr WONG Kin Wah, George, aged 47 is the chairman of The Hong Kong Parkview Group Limited. He has been engaged in construction and real estate business since graduating in building construction design in 1973. He was appointed as a director of The Hong Kong Parkview Group Limited in 1992. He was appointed as a non-executive director of the Company in November 1997.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-executive directors (Continued)

Mr AU Son Yiu, aged 54, 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. Limited (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 changed to be an executive director of the Company in November 1995 and became an independent non-executive director of the Company again in September 1996.

Mr CHUNG Kam Wing, Calvin, aged 52, 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 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 until 31 December 1997. He was appointed as an independent non-executive director of the Company in November 1993.

Mr KAN Chung Nin, Tony, aged 48, LL.B., P.C.L.L., 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 the vice-chairman of the Provisional 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 and a member of GPPCC of China since January 1999. He was appointed as an independent non-executive director of the Company in October 1994.

Mr LAI Dominic, aged 52, is a senior partner of the Hong Kong law firm of Lu, 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.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior Management

Mr CHAN Kwan Hing, aged 35, is a director of Midland Realty (Aberdeen) Limited, a subsidiary of the Company. He is an associate sales director of the Group, and is responsible for overseeing and operating the divisions dealing with residential property broking in Hong Kong island. Mr CHAN joined the Group in October 1991.

Mr KWOK Ying Lung, aged 35, joined the Group in May 1988 and is currently responsible for the management of industrial and commercial properties divisions of the Group. He is an associate sales director of the Group and has broad experience in dealing with non-residential property broking including industrial, office and retail properties.

Ms LAM Fung Fong, aged 37, is the financial controller and company secretary, and appointed as a director of the property investment and property management companies of the Group. She has over 13 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, company secretarial department and management information systems of the Group. Ms LAM joined the Group in 1995.

Mr LAW Kwok On, aged 38, is a director of Midland Realty (KIn Res.) Limited, a subsidiary of the Company. He is an associate sales director of the Group, and is responsible for overseeing the divisions dealing with residential property broking in Kowloon. Mr LAW holds a Diploma in Business Management. He has served the Group for 9 years.

DIRECTORS' INTERESTS IN CONTRACTS

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

CONNECTED TRANSACTIONS

Details of connected transactions are set out in note 21 to the accounts. The directors of the Company (including the independent non-executive directors) consider the transactions were concluded after arm's length negotiation and the terms of the transactions were fair and reasonable.

In respect of the connected transactions disclosed in note 21 to the accounts, the Company confirms that it has complied with relevant requirements under Chapter 14 of the Listing Rules of the Stock Exchange (the "Listing Rules").



MIDLAND REALTY (HOLDINGS) LIMITED

Report of the Directors

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 1998 the interests of the directors and chief executives in the shares and options of the Company and its associated corporation, as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

	Number of ordinary shares beneficially held		Percentage of holding
	Personal interest	Corporate interest	
Mr WONG Kin Yip, Freddie	12,500,000 (note (a)) 10,232,000	255,000,000 (note (c)) 35,000,000 (note (d))	52.76%
Mr FUNG Yui Sum	12,500,000 (note (b))	255,000,000 (note (c)) 44,910,000 (note (e))	52.70%
Ms IP Kit Yee, Kitty	310,000	–	0.05%

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 per cent. 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) 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.

Certain directors and chief executives of the Company have been granted options to subscribe shares in the Company under the Company's share option scheme. Details of it are set out in note 14 to the accounts.

Apart from the share option scheme mentioned above, none of the directors (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares of the Company.

Apart from the above, at no time during the year was the Company, or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of share in, debenture of, the Company or any other body corporate.



SUBSTANTIAL SHAREHOLDERS

At 31st December 1998 the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that the Company had been notified of the following substantial shareholder's interests, being 10% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

<u>Name of shareholder</u>	<u>Number of ordinary shares</u>	<u>Percentage of holding</u>
The Hong Kong Parkview Group Limited	67,285,000*	11.35%

* 30,001,000 shares are held by Gembrook Developments Limited and the remaining 37,284,000 shares are held by Parkview Property Development Limited, both of which are subsidiaries of The Hong Kong Parkview Group Limited.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its services from its 5 largest suppliers and sold less than 30% of its services to its 5 largest customers.

PENSION SCHEME

The Group does not have a pension scheme for its employees and directors.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Details of the Company's subsidiaries and jointly controlled entity at 31st December 1998 are set out on pages 48 to 53.

ANALYSIS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and overdrafts at 31st December 1998 is set out in note 16 to the accounts.

Apart from the above, the Group has no other borrowings at 31st December 1998.

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.



COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of the Stock Exchange except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of Appendix 14 "Code of Best Practice" of the Listing Rules. According to the Bye-laws of the Company, 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.

The Company has set up an Audit Committee, comprised of two independent non-executive directors, to comply with the additional requirement in the Code of Best Practice as set out in Appendix 14 of the Listing Rules. In establishing the terms of reference for the Audit Committee, the Directors have referred to the Guide For The Formation of An Audit Committee issued by the Hong Kong Society of Accountants in December 1997.

MILLENNIUM BUG ISSUE

The Millennium Bug ("Y2K") issue stems from the fact that traditionally, some computer systems and electronic devices use only two digits to record years. Hence they may mistake dates in 2000 and beyond as dates from a century earlier. Serious errors would be resulted if data based on dates in the millennium were to be calculated, compared or tabulated under the old system. That would have been detrimental to the Group's business.

Recognising the grave consequences of the "Y2K" bug, the Group had established a team back in mid-1998 to tackle the issue. The team of computer specialists has been reporting on problems and progress to the Financial Controller regularly. The ground work is basically completed. This involved identifying the systems and equipment that would be affected, evaluating and testing such systems for possible problems, then determining what measures to be taken and arranged for the necessary equipment or service accordingly. Management expects the "Y2K" project to be completed as scheduled by the end of June 1999, at an estimated cost of HK\$1.5 million. As of 31st December, 1998, the Group had spent about HK\$200,000 or 13% of the total budget on the "Y2K" project, mainly to upgrade, update, amend or replace various systems.

AUDITORS

Our auditors, Coopers & Lybrand, have merged their practice with Price Waterhouse and now practise in the name of PricewaterhouseCoopers. They have signed the auditors' report in their new name. PricewaterhouseCoopers, being eligible, offer themselves for re-appointment, and a resolution to this effect will be proposed at the Annual General Meeting.

On behalf of the Board
WONG Kin Yip, Freddie
Chairman

Hong Kong, 12th April 1999



羅兵咸永道會計師事務所

AUDITORS' REPORT TO THE SHAREHOLDERS OF
MIDLAND REALTY (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the accounts set out on pages 22 to 53 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 judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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, in all material respects, of the state of affairs of the Company and the Group as at 31st December 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12th April 1999



MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Profit and Loss Account

For the year ended 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Turnover	2	<u>906,919</u>	<u>1,769,349</u>
Operating profit	3		
Operating profit excluding exceptional items		74,233	340,771
Exceptional items		<u>(54,295)</u>	<u>(55,142)</u>
		19,938	285,629
Share of (loss)/profit of a jointly controlled entity		<u>(704)</u>	<u>120</u>
Profit before taxation		19,234	285,749
Taxation	4	<u>(9,130)</u>	<u>(59,302)</u>
Profit after taxation		10,104	226,447
Minority interests		<u>206</u>	<u>(3,060)</u>
Profit attributable to shareholders	5	<u>10,310</u>	<u>223,387</u>
Earnings per share	7	<u>1.7 cents</u>	<u>37.2 cents</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Balance Sheet

As at 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Fixed assets	9	390,365	564,107
Investment in a jointly controlled entity	11	2,446	2,561
Net current assets			
Current assets	12	536,491	551,011
Current liabilities	13	<u>337,973</u>	<u>316,767</u>
		<u>198,518</u>	<u>234,244</u>
		<u>591,329</u>	<u>800,912</u>
Financed by:			
Share capital	14	59,280	59,802
Reserves	15	<u>379,708</u>	<u>522,851</u>
Shareholders' funds		438,988	582,653
Minority interests		8,304	5,863
Long term bank loans – secured	16	141,533	206,508
Deferred taxation	17	2,504	5,888

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

591,329

800,912

MIDLAND REALTY (HOLDINGS) LIMITED

B a l a n c e S h e e t

As at 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Investments in subsidiaries	10	108,501	108,501
Net current assets			
Current assets	12	575,390	438,749
Current liabilities	13	344,817	159,683
		<u>230,573</u>	<u>279,066</u>
		<u>339,074</u>	<u>387,567</u>
Financed by:			
Share capital	14	59,280	59,802
Reserves	15	205,299	207,936
		<u>264,579</u>	<u>267,738</u>
Shareholders' funds		264,579	267,738
Long term bank loans – secured	16	74,495	119,829

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

339,074

387,567

MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Cash Flow Statement

For the year ended 31st December 1998

	Note	1998 HK\$'000	1997 HK\$'000
Net cash inflow from operating activities	18(a)	<u>64,295</u>	<u>413,006</u>
Returns on investments and servicing of finance			
Interest received		14,400	18,772
Interest paid		(21,336)	(16,053)
Dividends received from quoted investments		109	711
Dividends paid		(5,980)	(155,013)
Dividends paid to minority shareholders in subsidiaries		<u>(700)</u>	<u>(1,500)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(13,507)</u>	<u>(153,083)</u>
Taxation			
Hong Kong profits tax paid		(21,294)	(91,170)
Overseas taxation paid		<u>-</u>	<u>(6)</u>
Total taxation paid		<u>(21,294)</u>	<u>(91,176)</u>
Investing activities			
Purchase of fixed assets		(14,950)	(368,300)
Proceeds from disposal of fixed assets		61,215	-
Purchase of subsidiaries		-	86
Acquisition of additional interest in a subsidiary		(757)	-
Advance to a jointly controlled entity		(589)	(909)
Proceeds from disposal of quoted investments		<u>8,037</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		<u>52,956</u>	<u>(369,123)</u>
Net cash inflow/(outflow) before financing		<u>82,450</u>	<u>(200,376)</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Cash Flow Statement (continued)

For the year ended 31st December 1998

		1998 HK\$'000	1997 HK\$'000
Financing	18(b)		
Issue of ordinary shares		–	1,188
New loans payable		–	153,346
Repayment of bank loans		(69,276)	(21,199)
Purchase of own shares		(4,415)	(4,389)
		<u> </u>	<u> </u>
Net cash (outflow)/inflow from financing		<u>(73,691)</u>	<u>128,946</u>
Increase/(decrease) in cash and cash equivalents		8,759	(71,430)
Cash and cash equivalents at 1st January		275,089	346,524
Decrease in quoted investments		(11,068)	–
Effect of foreign exchange rate changes		3	(5)
		<u> </u>	<u> </u>
Cash and cash equivalents at 31st December		<u>272,783</u>	<u>275,089</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		282,220	291,267
Bank overdrafts		(9,437)	(26,471)
Bank deposits pledged		–	(775)
Quoted investments		–	11,068
		<u> </u>	<u> </u>
		<u>272,783</u>	<u>275,089</u>



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

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.



1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Capital reserve and goodwill

Capital reserve arising on shares exchange 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.

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.

Goodwill represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is taken to reserves in the year of acquisition.

(d) Revenue recognition

Agency fee revenue from property broking and marketing services is recognised when the relevant agreement becomes unconditional or irrevocable.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

(e) 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 investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.



1. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Other properties and fixed assets

Other properties are interests in land and buildings other than investment properties and are stated at cost/valuation. Increases in valuation are credited to the other properties revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to retained earnings.

Effective from 1st April 1995 no further revaluations of the Group's other properties have been carried out. The Group places reliance on paragraph 72 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

Other fixed assets are stated at cost less accumulated depreciation.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows.

Buildings	2 %
Leasehold improvements	33 $\frac{1}{3}$ % – 50 %
Furniture and fixtures	25 %
Office equipment	25 %
Motor vehicles	25 %

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.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties and other 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.



1. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Accounts receivable

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

(h) Quoted investments

Quoted investments held for short term purposes are stated at the lower of cost and market value at the balance sheet date.

(i) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(j) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries and jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(k) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts



2. REVENUE AND TURNOVER

	1998 HK\$'000	1997 HK\$'000
Agency fee revenue	906,919	1,769,349
Turnover	906,919	1,769,349
Interest income	14,400	18,772
Gross rental income from investment properties	5,917	4,829
Total revenue	<u>927,236</u>	<u>1,792,950</u>

3. OPERATING PROFIT

(a) Operating profit excluding exceptional items is stated after crediting and charging the following:

	1998 HK\$'000	1997 HK\$'000
Crediting		
Interest income	14,400	18,772
Gross rental income from investment properties	5,917	4,829
Less: Outgoings	<u>97</u>	<u>112</u>
Net rental income from investment properties	5,820	4,717
Dividend income from quoted investments	<u>109</u>	<u>711</u>
Charging		
Operating lease rentals in respect of land and buildings	158,660	185,048
Provision for bad and doubtful debts	45,633	118,564
Depreciation of fixed assets	44,209	52,672
Interest on bank loans		
Wholly repayable within five years	8,098	601
Not wholly repayable within five years	<u>13,238</u>	<u>15,452</u>
	21,336	16,053
Deficit arising on revaluation of investment properties	–	15,550
Loss on disposal of quoted investments	3,031	–
Auditors' remuneration		
Charge for the year	1,065	1,018
Underprovision in prior year	<u>217</u>	<u>–</u>
	1,282	1,018
Loss on disposal of other fixed assets	<u>607</u>	<u>3,658</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

3. OPERATING PROFIT (continued)

(b) Exceptional items comprise:

	1998 HK\$'000	1997 HK\$'000
Deficit arising on revaluation of investment properties	25,367	–
Loss on disposal of investment properties and other properties	15,385	–
Provision for branch closure costs	13,543	55,142
	<u>54,295</u>	<u>55,142</u>

4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1997: 16.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	1998 HK\$'000	1997 HK\$'000
Hong Kong profits tax	14,500	59,384
Overprovision in prior years	(1,986)	(1,317)
Deferred taxation (<i>note 17</i>)	(3,384)	1,235
	<u>9,130</u>	<u>59,302</u>

No provision for overseas taxation has been made in the accounts as the Group's overseas subsidiaries and jointly controlled entity have no assessable or taxable profits calculated in accordance with the tax laws of the countries in which they operate.

5. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$149,455,000 (1997: HK\$81,705,000).



6. DIVIDENDS

	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
Adjustment to prior year's final dividend	–	130
Interim, Nil (1997: HK\$0.10) per ordinary share	–	60,083
Special cash bonus, proposed of HK\$0.20 (1997: Nil) per ordinary share payable on 26th May 1999	118,559	–
Final, proposed of HK\$0.05 (1997: HK\$0.01) per ordinary share payable on 26th May 1999	<u>29,640</u>	<u>5,980</u>
	<u>148,199</u>	<u>66,193</u>

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$10,310,000 (1997: HK\$223,387,000) and the weighted average of 594,021,000 (1997: 600,208,000) ordinary shares in issue during the year.

The outstanding share options of the Company do not result in a dilution effect on the earnings per share in respect of the year ended 31st December 1998. Fully diluted earnings per share for the year ended 31st December 1997 is not presented as the effect of dilution is insignificant.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	1998 HK\$'000	1997 HK\$'000
Fee	113	83
Basic salaries, housing allowances, other allowances and benefits in kind	11,578	15,098
Discretionary bonuses		
Current year	600	14,209
Underprovision in previous year	–	4,696
Compensation to a former director for loss of office, paid by the Company's subsidiary	–	4,000
	<u>12,291</u>	<u>38,086</u>

Directors' fees include HK\$80,000 (1997: HK\$80,000) payable to independent non-executive directors.

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 during the year are set out in note 14.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
<u>HK\$</u>	1998	1997
0 – 1,000,000	5	5
1,500,001 – 2,000,000	2	1
2,000,001 – 2,500,000	1	–
6,000,001 – 6,500,000	1	–
6,500,001 – 7,000,000	–	1
14,500,001 – 15,000,000	–	2
	<u>9</u>	<u>9</u>

No directors waived their emoluments in respect of the years ended 31st December 1998 and 1997.



8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

- (b) The five individuals whose emoluments were the highest in the Group for the year include four directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (1997: one) individual during the year are as follows:

	1998 HK\$'000	1997 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<u>1,115</u>	<u>3,037</u>

The emoluments fell within the following bands:

Emoluments bands	Number of Individuals	
<u>HK\$</u>	1998	1997
1,000,001 – 1,500,000	1	–
3,000,001 – 3,500,000	<u>–</u>	<u>1</u>
	<u>1</u>	<u>1</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

9. FIXED ASSETS

	Group								
	Investment properties in Hong Kong HK\$'000	Investment properties outside Hong Kong HK\$'000	Other properties in Hong Kong HK\$'000	Other properties outside Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation									
At 1st January 1998									
At cost	-	-	277,210	10,541	80,387	19,569	99,867	2,806	490,380
At 1995 professional valuation	-	-	44,200	-	-	-	-	-	44,200
At 1996 professional valuation	-	-	7,400	-	-	-	-	-	7,400
At 1997 professional valuation	114,180	-	-	-	-	-	-	-	114,180
	114,180	-	328,810	10,541	80,387	19,569	99,867	2,806	656,160
Additions at cost	200	-	219	-	7,059	235	7,237	-	14,950
Revaluation	(23,400)	(2,590)	-	-	-	-	-	-	(25,990)
Transfers from investment properties at 1997 professional valuation	(18,400)	-	18,400	-	-	-	-	-	-
Transfers from other properties at cost	11,352	10,541	(11,352)	(10,541)	-	-	-	-	-
Disposals	(49,382)	-	(26,471)	-	(37,409)	(6,534)	(35,378)	(160)	(155,334)
At 31st December 1998	34,550	7,951	309,606	-	50,037	13,270	71,726	2,646	489,786
Accumulated depreciation									
At 1st January 1998	-	-	6,531	133	42,466	9,512	30,771	2,640	92,053
Charge for the year	-	-	5,344	134	18,124	2,348	18,126	133	44,209
Reclassification	356	267	(356)	(267)	-	-	-	-	-
Revaluation	(356)	(267)	-	-	-	-	-	-	(623)
Disposals	-	-	(713)	-	(20,721)	(3,622)	(11,035)	(127)	(36,218)
At 31st December 1998	-	-	10,806	-	39,869	8,238	37,862	2,646	99,421
Net book value									
At 31st December 1998	34,550	7,951	298,800	-	10,168	5,032	33,864	-	390,365
At 31st December 1997	114,180	-	322,279	10,408	37,921	10,057	69,096	166	564,107

The analysis of the cost or valuation at 31st December 1998 of the above assets is as follows:

At cost	-	-	239,606	-	50,037	13,270	71,726	2,646	377,285
At 1995 professional valuation	-	-	44,200	-	-	-	-	-	44,200
At 1996 professional valuation	-	-	7,400	-	-	-	-	-	7,400
At 1997 professional valuation	-	-	18,400	-	-	-	-	-	18,400
At 1998 professional valuation	34,550	7,951	-	-	-	-	-	-	42,501
	34,550	7,951	309,606	-	50,037	13,270	71,726	2,646	489,786



9. FIXED ASSETS (continued)

The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	Group	
	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
In Hong Kong, held on:		
Leases of over 50 years	202,704	213,530
Leases of between 10 to 50 years	130,646	222,929
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	7,951	10,408
	<u>341,301</u>	<u>446,867</u>

Investment properties were revalued at 31st December 1998 on the basis of their open market value by Chesterton Petty Limited, an independent firm of chartered surveyors. The deficit arising on revaluation amounted to HK\$25,367,000 was charged to the profit and loss account.

Other properties in Hong Kong are held by the Group for its own use.

The carrying amount of other properties would have been HK\$300,277,000 (1997: HK\$332,069,000) had they been stated at cost less accumulated depreciation.

At 31st December 1998, the net book value of investment properties and other properties pledged as security for the Group's long term bank loans amount to HK\$320,640,000 (1997: HK\$436,459,000) (note 20).

10. INVESTMENTS IN SUBSIDIARIES

	Company	
	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
Unlisted shares, at cost	108,501	108,501

Details of subsidiaries are set out on pages 48 to 53.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

11. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Group	
	1998 HK\$'000	1997 HK\$'000
Share of net assets	999	1,703
Amount due by a jointly controlled entity	1,447	858
	<u>2,446</u>	<u>2,561</u>

Details of the jointly controlled entity are set out on page 53.

12. CURRENT ASSETS

	Group		Company	
	1998 HK\$'000	1997 HK\$'000	1998 HK\$'000	1997 HK\$'000
Due from subsidiaries	–	–	424,137	339,493
Accounts receivable	192,985	168,520	–	–
Other receivables	61,286	80,156	7	25
Quoted investments in Hong Kong, net of provision, at market value	–	11,068	–	11,068
Dividend receivable from a subsidiary	–	–	149,680	85,000
Bank balances and cash	282,220	291,267	1,566	3,163
	<u>536,491</u>	<u>551,011</u>	<u>575,390</u>	<u>438,749</u>

Bank deposits of HK\$Nil (1997: HK\$775,000) included in the bank balances and cash were pledged to certain banks for bank guarantees in respect of leasing of certain premises.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts



13. CURRENT LIABILITIES

	Group		Company	
	1998 HK\$'000	1997 HK\$'000	1998 HK\$'000	1997 HK\$'000
Due to a subsidiary	-	-	177,021	129,557
Accounts payable	107,628	108,561	-	-
Other payables	38,226	127,811	507	468
Current portion of long term bank loans (<i>note 16</i>)	27,170	31,471	18,933	23,489
Taxation payable	6,993	15,773	-	189
Dividends payable to minority shareholders in subsidiaries	320	700	-	-
Proposed final dividend and special cash bonus	148,199	5,980	148,199	5,980
Bank overdrafts	9,437	26,471	157	-
	<u>337,973</u>	<u>316,767</u>	<u>344,817</u>	<u>159,683</u>

14. SHARE CAPITAL

	Company	
	1998 HK\$'000	1997 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each	<u>59,280</u>	<u>59,802</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

14. SHARE CAPITAL (continued)

During the year, the Company purchased a total of 5,226,000 shares of its own shares through the Stock Exchange. Details of the purchases are as follows:–

Month of purchase	Number of shares	Purchase price per share		Aggregate consideration
		Highest paid	Lowest paid	paid including expenses
		HK\$	HK\$	HK\$
January 1998	3,690,000	1.37	0.74	3,481,000
April 1998	40,000	0.90	0.90	36,000
May 1998	782,000	0.79	0.65	588,000
June 1998	306,000	0.65	0.49	166,000
July 1998	20,000	0.51	0.50	10,000
August 1998	388,000	0.35	0.33	134,000
	<u>5,226,000</u>			<u>4,415,000</u>

The above shares purchased were subsequently cancelled upon purchase and accordingly the issued capital of the Company was diminished by the nominal value of those shares. The premium payable on purchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to a capital redemption reserve (*note 15*).

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts



14. SHARE CAPITAL (continued)

During the year, the Company granted share options to certain employees of the Group without consideration to subscribe for a total of 5,262,000 shares of the Company. Details of the options granted, exercised and cancelled during the year are as follows:–

Name	Date of grant	Exercise price HK\$	Balance Outstanding at 1st January 1998	Options granted during the year	Options exercised during the year	Options cancelled during the year	Balance outstanding at 31st December 1998	Exercisable Period
Directors								
Mr WONG Kin Yip, Freddie	13th May 1997	2.91	1,500,000	–	–	–	1,500,000	13th May 1997 to 13th May 2000
Mr FUNG Yui Sum	13th May 1997	2.91	1,500,000	–	–	–	1,500,000	13th May 1997 to 13th May 2000
Ms IP Kit Yee, Kitty	13th May 1997	2.91	500,000	–	–	–	500,000	13th May 1998 to 13th May 2001
		2.91	500,000	–	–	–	500,000	13th May 1999 to 13th May 2002
Mr CHEUNG Kam Shing	18th October 1996	1.44	825,000	–	–	–	825,000	18th October 1997 to 18th October 2000
		1.44	850,000	–	–	–	850,000	18th October 1998 to 18th October 2001
Sub-total for directors			<u>5,675,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,675,000</u>	
Employees								
<i>Senior management</i>								
Ms LAM Fung Fong	13th May 1997	2.91	500,000	–	–	–	500,000	13th May 1998 to 13th May 2001
		2.91	500,000	–	–	–	500,000	13th May 1999 to 13th May 2002
<i>Other employees*</i>	1st March 1998	1.30	–	2,631,000	–	413,000	2,218,000	1st March 1999 to 1st March 2002
		1.30	–	2,631,000	–	413,000	2,218,000	1st March 2000 to 1st March 2003
Sub-total for employees			<u>1,000,000</u>	<u>5,262,000</u>	<u>–</u>	<u>826,000</u>	<u>5,436,000</u>	
Total for directors and employees			<u>6,675,000</u>	<u>5,262,000</u>	<u>–</u>	<u>826,000</u>	<u>11,111,000</u>	

* These share options were granted to 222 employees of the Group from 18,000 to 42,000 shares each at exercisable price of HK\$1.30 per share. During the year, 37 of these employees resigned from the Group and their respective share options for a total of 826,000 shares were cancelled accordingly.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

15. RESERVES

	Group						
	Share premium HK\$'000	Capital redemption HK\$'000	Arising on consolidation HK\$'000	Other properties revaluation HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 1998	69,219	280	14,369	220	(527)	439,290	522,851
Purchase of shares	(3,893)	-	-	-	-	-	(3,893)
Transfer from retained earnings	-	522	-	-	-	(522)	-
Goodwill written off	-	-	(1,364)	-	-	-	(1,364)
Exchange differences	-	-	-	-	3	-	3
Profit for the year	-	-	-	-	-	10,310	10,310
Dividends and special cash bonus	-	-	-	-	-	(148,199)	(148,199)
At 31st December 1998	<u>65,326</u>	<u>802</u>	<u>13,005</u>	<u>220</u>	<u>(524)</u>	<u>300,879</u>	<u>379,708</u>
Company and subsidiaries jointly controlled entity	<u>65,326</u>	<u>802</u>	<u>13,005</u>	<u>220</u>	<u>259</u>	<u>302,597</u>	<u>382,209</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(783)</u>	<u>(1,718)</u>	<u>(2,501)</u>
	<u>65,326</u>	<u>802</u>	<u>13,005</u>	<u>220</u>	<u>(524)</u>	<u>300,879</u>	<u>379,708</u>

Profit for the year of HK\$10,310,000 (1997: HK\$223,387,000) included loss of HK\$704,000 (1997: profit of HK\$120,000) attributable to the jointly controlled entity.

	Company				
	Share Premium HK\$'000	Capital redemption HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 1998	69,219	280	108,001	30,436	207,936
Purchase of shares	(3,893)	-	-	-	(3,893)
Transfer from retained earnings	-	522	-	(522)	-
Profit for the year	-	-	-	149,455	149,455
Dividends and special cash bonus	-	-	-	(148,199)	(148,199)
At 31st December 1998	<u>65,326</u>	<u>802</u>	<u>108,001</u>	<u>31,170</u>	<u>205,299</u>

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 12th 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.

Distributable reserves of the Company at 31st December 1998, net of dividends and special cash bonus proposed, amounted to HK\$139,171,000.

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts



16. LONG TERM BANK LOANS – SECURED

	Group		Company	
	1998 HK\$'000	1997 HK\$'000	1998 HK\$'000	1997 HK\$'000
Bank loans – secured (<i>note 20</i>)				
Wholly repayable within five years	37,787	20,227	34,905	16,190
Not wholly repayable within five years	130,916	217,752	58,523	127,128
	168,703	237,979	93,428	143,318
Current portion of long term bank loans	(27,170)	(31,471)	(18,933)	(23,489)
	<u>141,533</u>	<u>206,508</u>	<u>74,495</u>	<u>119,829</u>

At 31st December 1998, the Group's bank loans and overdraft were repayable as follows:

	1998 HK\$'000	1997 HK\$'000
Within one year	36,607	57,942
In the second year	27,668	33,437
In the third to fifth year	77,486	99,029
After the fifth year	36,379	74,042
	<u>178,140</u>	<u>264,450</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Notes to the Accounts

17. DEFERRED TAXATION

	Group	
	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>
At 1st January	5,888	4,653
Transferred (to)/from profit and loss account (<i>note 4</i>)	(3,384)	1,235
At 31st December	<u>2,504</u>	<u>5,888</u>

Analysis of provision and potential deferred taxation assets/(liabilities):

	1998		1997	
	Full potential assets/ (liabilities) <i>HK\$'000</i>	Provision made <i>HK\$'000</i>	Full potential assets/ (liabilities) <i>HK\$'000</i>	Provision made <i>HK\$'000</i>
Accelerated depreciation allowance	(2,504)	(2,504)	(5,888)	(5,888)
Tax losses	<u>2,798</u>	<u>–</u>	<u>28</u>	<u>–</u>
	<u>294</u>	<u>(2,504)</u>	<u>(5,860)</u>	<u>(5,888)</u>

No recognition for the tax effect on tax losses has been made in the accounts as it is uncertain that the deferred tax asset will crystallise in the foreseeable future.

The revaluation of investment properties and other properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation deficit or surplus would not result in a taxation liability.



18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1998 HK\$'000	1997 HK\$'000
Operating profit	19,938	285,629
Depreciation of fixed assets	44,209	52,672
Loss on disposal of investment properties and other properties	15,385	-
Loss on disposal of fixed assets in respect of branch closure	15,127	-
Loss on disposal of other fixed assets	607	3,658
Deficit arising on revaluation of investment properties	25,367	15,550
Loss on disposal of quoted investments	3,031	-
(Increase)/decrease in accounts and other receivables	(5,595)	128,414
Decrease in bank deposits pledged	775	1,165
Decrease in accounts and other payables (see note below)	(61,376)	(70,652)
Interest income	(14,400)	(18,772)
Interest expenses	21,336	16,053
Dividends received from quoted investments	(109)	(711)
Net cash inflow from operating activities	<u>64,295</u>	<u>413,006</u>

Note: The decrease in accounts and other payables is stated after the exclusion of provision for loss on disposal of fixed assets amounting to HK\$26,782,000 in respect of branch closure for the year ended 31st December 1997, and an amount due from a minority shareholder of HK\$2,360,000 being assigned to the Group during the year (note 21).

(b) Analysis of change in financing during the year

	Share capital including share premium HK\$'000	Bank loans HK\$'000	Minority interests HK\$'000
At 1st January 1998	129,021	237,979	5,863
Minority interests in share of losses	-	-	(206)
Purchase of own shares	(4,415)	-	-
Repayment of bank loans	-	(69,276)	-
Acquisition of additional interest in a subsidiary	-	-	2,967
Dividends payable to minority shareholders in subsidiaries	-	-	(320)
At 31st December 1998	<u>124,606</u>	<u>168,703</u>	<u>8,304</u>

19. COMMITMENTS

- (a) Capital commitments for property acquisition

	Group	
	1998 HK\$'000	1997 HK\$'000
Contracted but not provided for	—	20,700

- (b) Commitments under operating leases

At 31st December 1998 the Group had commitments to make payments in the next twelve months under operating leases in respect of office and shop premises which expire as follows:—

	1998 HK\$'000	1997 HK\$'000
Within one year	42,453	35,012
In the second to fifth year inclusive	48,842	157,067
	<u>91,295</u>	<u>192,079</u>

20. PLEDGE OF ASSETS

At 31st December 1998 the Group's bank loans of HK\$168,703,000 (1997: HK\$237,979,000) were secured by all the investment properties and certain other properties in Hong Kong held by the Group with a total net book value of HK\$320,640,000 (1997: HK\$436,459,000) (note 9).

In addition, the Group's bank deposits amounting to HK\$Nil (1997: HK\$775,000) were pledged to certain banks for bank guarantees in respect of leasing of certain premises.



21. *CONNECTED TRANSACTIONS*

On 20th July 1998, a wholly owned subsidiary of the Company, Midland Realty (Strategic) Limited ("Midland Strategic") entered into an agreement with Chief Link Investment Limited ("Chief Link") whereby Midland Strategic purchased from Chief Link 1,000,000 ordinary shares (the "Shares") of Midland (China) Property Development Limited ("Midland China") which is a 80% owned subsidiary of the Company and the Shares represent 20% of the total paid up capital of Midland China for a consideration of HK\$1. A loan assignment between Chief Link, Midland Strategic and Midland China was also entered into on the same date, under which an amount of HK\$2,360,000 indebted by Midland China to Chief Link was assigned to Midland Strategic for a consideration of HK\$757,143.

Chief Link was 65% and 35% owned by Mr LAM Ting Kay ("Mr LAM") and Mr IP Kwok Kin ("Mr IP") respectively. Mr LAM and Mr IP were also directors of Midland China. After completion of the acquisitions, Mr LAM and Mr IP had resigned from Midland China accordingly. Chief Link is a substantial shareholder of Midland China due to its beneficial interest in 20% of the issued share capital of Midland China.

22. *PENDING LITIGATIONS*

In October 1998, a creditors' winding-up order was granted by the High Court against a subsidiary of the Company which was involved in legal disputes on certain obligations in respect of a tenancy agreement previously entered into by that subsidiary. The Official Receiver was appointed as the provisional liquidator. After seeking appropriate legal advice, the directors are of the opinion that adequate provision has been made in the accounts for any potential liabilities and the outcome of the above case will not have any material adverse effect on the Group.

Apart from the above, the Group also has been involved in certain litigations in respect of property broking services. The directors are of the opinion that these litigations arose from the normal course of business activities of the Group and adequate provision has been made in the accounts to cover the amounts in disputes together with the estimated legal costs.

23. *APPROVAL OF ACCOUNTS*

The accounts were approved by the board of directors on 12th April 1999.

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries				
<i>– directly held by the Company</i>				
Astra Profits Limited	British Virgin Islands	Investment holding in Hong Kong	4 Ordinary shares of US\$1 each	100
<i>– indirectly held by the Company</i>				
Goldlane Management Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland (China) Property Development Limited	Hong Kong	Property agent in Hong Kong and investment holding in the People's Republic of China	5,000,000 Ordinary shares of HK\$1 each	100
Midland International Property Agency Limited	Hong Kong	Dormant	100,000 Ordinary shares of HK\$1 each	100
Midland Overseas Property Agency Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Property (China) Limited	Hong Kong	Investment holding in the People's Republic of China	500,000 Ordinary shares of HK\$1 each	100
Midland Property Consultants Limited	Hong Kong	Dormant	100,000 Ordinary shares of HK\$1 each	100
Midland Property Management Company Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Property (Overseas) Limited	Hong Kong	Dormant	2 Ordinary shares of HK\$1 each	100

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
<i>– indirectly held by the Company (Continued)</i>				
Midland Realty (Aberdeen) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	80
Midland Realty (Comm.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty Consultancy (Shanghai) Co. Ltd. <i>(Note (a))</i>	The People's Republic of China	Property agent in the People's Republic of China	US\$1,000,000	100
Midland Realty (DB) Limited	Hong Kong	Property agent in Hong Kong	400,000 Ordinary shares of HK\$1 each	100
Midland Realty (Fairview) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Ind.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty International Limited	Hong Kong	Property agent in Hong Kong	1,000 Ordinary shares of HK\$100 each	100
Midland Realty (KIn Res.) Limited	Hong Kong	Property agent in Hong Kong	800,000 Ordinary shares of HK\$1 each	90
Midland Realty (Kornhill) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (LKW) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
<i>– indirectly held by the Company (Continued)</i>				
Midland Realty (North Point) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Shatin) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Strategic) Limited	Hong Kong	Investment holding in Hong Kong	10,000 Ordinary shares of HK\$1 each 2,000,000 Non- voting deferred shares of HK\$1 each	100
Midland Realty (Tai Po) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (TKS) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Tsuen Wan) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Corporate Agency Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Realty (Whampoa) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
<i>– indirectly held by the Company (Continued)</i>				
Midland Surveyors Limited	Hong Kong	Property valuer in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Real Gain Limited	Hong Kong	Property investment in Hong Kong	10,000 Ordinary shares of HK\$1 each	100
Topco Management Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Worldboss Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
King Excellence Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Perfect Tower Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
City First Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Best Chance Realty Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Pacific Realty Limited (Note (a))	Canada	Trademark licensing in Canada	100 Common shares of CAD1 each 20 Common shares of Nil	100
Systems Gold Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
<i>– indirectly held by the Company (Continued)</i>				
Frankwell Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Golden Forrest Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Global Strategy Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Wordstar Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Goldbright Profits Limited <i>(Note (b))</i>	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Modern Rich Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Best Leader Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Forever Fine Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Excellent World Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Strong Well Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Rich Famous Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100

MIDLAND REALTY (HOLDINGS) LIMITED

Group Structure



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
<i>– indirectly held by the Company (Continued)</i>				
Dynamic Win Limited <i>(Note (b))</i>	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Grand World Advertising Company Limited <i>(Note (b))</i>	Hong Kong	Marketing and advertising management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Power Concord Limited <i>(Note (b))</i>	Hong Kong	Credit and collection management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Welleson Management Limited	Hong Kong	<i>Note (c)</i>	2 Ordinary shares of HK\$1 each	100
Sky Essences Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Outright Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Jointly controlled entity				
<i>– indirectly held by the Company</i>				
Midland (Guangzhou) Real Estate Consultants Ltd.	The People's Republic of China	Property agent in the People's Republic of China	HK\$5,000,000	70

Notes:

- (a) These subsidiaries are not audited by PricewaterhouseCoopers, Hong Kong.
- (b) These were subsidiaries set up during the year.
- (c) This subsidiary had entered into certain tenancy agreements and is in the process of winding-up by the High Court (Note 22 to the accounts).

MIDLAND REALTY (HOLDINGS) LIMITED

List of Investment Properties

At 31st December 1998

Location	Existing use	Lease term
1. Shop No. 2 on Lower Ground Floor Braemar Hill Shopping Centre No. 45 Braemar Hill Road North Point Hong Kong	Commercial	Long
2. Shop No. 4 on Ground Floor Southern Building Nos. 257-273 King's Road Hong Kong	Commercial	Long
3. Unit No. 87 on LG/F Koway Plaza Koway Court No. 111 Chai Wan Road Hong Kong	Commercial	Long
4. Shop No. 50 Cheerful Garden No. 23 Siu Sai Wan Road Hong Kong	Commercial	Medium
5. Portion B of Shop No. 110 on the car park level 1 of Podium C of Riviera Gardens Nos. 2-12 Yi Hong Street & Nos. 7-9 Yi Lok Street Tsuen Wan New Territories	Commercial	Medium
*6. Clinic Premises on the Ground Floor of Commercial Block B Pokfulam Gardens No. 180 Pok Fu Lam Road Hong Kong	Commercial	Short
7. Section B of Shop.97A on Ground Floor, No 69-119 Broadway Phase IV of Mei Foo Sun Chuen Lai Chi Kok Kowloon	Commercial	Medium
8. Units 1202, 1203 and 1204 On 12th Floor of Block 1 Henderson Centre Beijing Jiangnomenei Avenue Beijing Stations Street Dongcheng District Beijing The People's Republic of China	Commercial	Medium

* *The directors have intention to negotiate with the HKSAR Government for renewal of lease term of this property upon its expiry.*