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**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 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
 22nd Floor
 Prince's Building
 Central
 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
 2401
 Prince's Building
 Central
 Hong Kong



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 April 2000 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31st December 1999;
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;

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

5. **"THAT** the maximum number of Directors of the Company for the time being be fixed at eight and that the Directors of the Company be authorised to fill any vacancies on the board of Directors and to appoint additional Directors up to such maximum or such other maximum as may be determined from time to time by members of the Company in addition to those in office at the close of this meeting."
6. **"THAT:**
 - (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares (each a "Share") of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe shares of the Company 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 during the Relevant Period to make and grant offers, agreements and options, including warrants to subscribe for Shares 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 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 or an issue of Shares upon the exercise of the subscription rights attaching to the unlisted warrants of the Company constructed by the warrant instrument dated 11th January 2000 executed by way of a deed poll and which confer rights to subscribe up to HK\$55,000,000 in aggregate in cash for new Shares, 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 earliest 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; and
- (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 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 during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase Shares, 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 Shares to be 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 earliest 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; and
- (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 set out in the notice of this meeting, 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 set out in the notice of this meeting shall be added to the aggregate nominal amount of share capital that may be allotted or agreed to be allotted by the Directors pursuant to resolution no. 6.”

SPECIAL RESOLUTION

9. **“THAT** the Bye-laws of the Company be amended by deleting the existing sections 87(1) and 87(2) and substituting the same with the following new section:
87. Notwithstanding any other provisions in the Bye-laws, at each annual general meeting all Directors for the time being shall retire from office provided notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement. A retiring Director shall be eligible for re-election.”

By order of the Board
LAM Fung Fong
Company Secretary

Hong Kong, 20th March 2000

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 2401, Prince’s Building, Central, 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 April 2000 to Wednesday, 19th April 2000, 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 2401, Prince’s Building, Central, Hong Kong not later than 4:00 p.m. on Wednesday, 12th April 2000.

MIDLAND REALTY (HOLDINGS) LIMITED

Five Year Financial Summary



	Year ended 31st December				
	1995 <i>HK\$'000</i>	1996 <i>HK\$'000</i>	1997 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	482,630	1,303,962	1,769,349	906,919	727,232
Profit attributable to shareholders	77,543	300,008	223,387	10,310	50,691
Total assets	300,646	997,359	1,117,679	929,302	742,185
Total liabilities	126,738	565,857	535,026	490,314	272,772
Net assets	173,908	431,502	582,653	438,988	469,413



Mr WONG Kin Yip, Freddie
Chairman and Managing Director

REVIEW

In the financial year ended 31st December 1999, the Group recorded a turnover of HK\$727,232,000, 20% below the 1998 level while profit attributable to shareholders surged 392% to HK\$50,691,000 in the same period.

Hong Kong's property market still faced the negative factors brought by the Asian financial crisis in 1999. The Land Registry recorded 98,466 transactions in the year, a drop of 12% as compared with 1998. The total transaction value slid to HK\$256.6 billion, a decrease of 25% as compared with last year. The Group, however, outperformed the market by brokering 26,414 rental and sales transactions which are down 9% from last year.

The Group recorded the significant growth of profit in the deteriorating operating environment reflected the Group's excellent leadership and management skill. The remarkable results were totally reflected in the year.

In the year of 1999, the Group doggedly went about reducing rental expenses. The Group managed to shave rents by 8% to 85% at 50 branches either by renegotiating for less expensive leases or moving to premises of lower rents nearby. As the market stabilized, the Group also took the opportunity to open more branches at strategic locations so that the Group has 146 branches at the end of the year. The average monthly rental expenses were reduced 36% from HK\$13,222,000 in 1998 to HK\$8,510,000.

The Group launched a new commission scheme in May 1999 so that instead of basing the commission on the total revenue of a branch, the average revenue of each agent will be used as the new basis for calculating remuneration; in addition, the staff with low productivity was squeezed out. Although the number of branches increased, the number of staff decreased. It significantly reduced the staff cost. Meanwhile, the Group put a great effort on debts collection, and obtained a terrific results. The total expenditure declined by HK\$220,000,000 as compared with 1998.

The property agent licensing regulation came into effect in January 1999. Most of the sales agents of the Group have already obtained the official licences and the examination passing rate almost reached 80%. Among them, over 10 sales even passed with commendation. It is believed that all sales agents will obtain the official licences at the end of 2000 so that the Group could provide more professional services to our customers.



BUSINESS PLAN & OUTLOOK

The Group is able to take advantage of its web site (www.midland.com.hk) to help its real estate agency business in 1) improving the productivity of staffs; 2) enhancing the efficiency of the branch; and 3) reducing the operating costs.

Through a wholly owned subsidiary which owns the web site, the Group would focus on internet businesses which are diversified away from the traditional real estate agency business. The Web is used to be a provider of property information to the agents and customers of the Group and it is now expanding to the new frontiers of ad-based, on-line content and e-commerce based commerce portal. The internet business is a significant diversification and transformation from the Group's traditional business and earnings sources. While the Group is able to leverage off its customer base and brand name, the extensive use of the Web can expand the Group's customer base.

During the year, the Group introduced a series of services via the Web which are both innovative and new to the local market. Those services include 1) Cyber Search; 2) iAuction; 3) 360 Degree Virtual Tour; and 4) iMortgage. Despite that most of the services are newly introduced in 1999, they are making profits for the Web and it is expected that the business growth in these areas can be alarming in the coming years.

Going forward, more services will be introduced via internet which include digital map, cyber mall and personalization services. The rapid growth in the number of Midland Club members and merchants signed up with the Group guarantee a stable income from banner advertisements and transaction fees receivable through the cyber mall operations.

In addition, the Group is in on-going discussion with several potential strategic investors in the Web who would contribute services, content and technology support to the Web development of the Group. This would speedify the pace with which our internet business division is developed. The Group may consider to spin off the internet business into a separate unit on the Stock Exchange when opportunities arise so that the management, business focus and operations of the offshoot can be separated from the traditional real estate agency business while a good combination of a physical and virtual business can be safe guarded at the same time.



With the recovery of the Hong Kong economy, it is expected that property transaction volume would increase in the coming year. We would take this opportunity to open up more shops or expand our market share through acquisitions. All in all, 1999 marked a year of recovery for the Group which we project that the property market will stabilize gradually as well as the transactions will increase. The Group can thus achieve the great progress in market and revenue.

IN CONCLUSION

On behalf of the Directors, I hereby thank the staff and shareholders for the continuing supports and making the Group pull through with passing grades in the past two years.

By Order of the Board
WONG Kin Yip, Freddie
Chairman

Hong Kong, 20th March 2000



CASH FLOW AND FINANCIAL RESOURCES

As of 31st December 1999, the Group had bank balances and cash of HK\$194,737,000, bank loans and overdrafts of HK\$145,673,000. In addition, it had unutilised banking facilities amounting to HK\$24,403,000 from various banks.

CAPITAL STRUCTURE

During 1999, certain employees of the Group exercised their share options under the share option scheme resulting in the issue of 1,444,000 new shares of HK\$0.10 each.

During the year, the Group granted 5,700,000 share options to certain employees and 2,944,000 share options subsequently lapsed in accordance with the terms of share option scheme due to resignation.

The Group bought back 4,442,000 ordinary shares from the open market. All such shares were cancelled subsequently and their respective share certificates destroyed.

As of 31st December 1999, the number of ordinary shares issued by the Company totalled 589,797,000.

STAFF AND REMUNERATION POLICIES

As of 31st December 1999, the Group employed 1,723 full time employees of which 1,455 were sales agents and 268 were back office support employees.

In terms of remuneration, the Group launched a new commission scheme for sales department head in May 1999. Instead of basing the commission on the total revenue of a branch, the average revenue of each agent is the new basis for calculating remuneration. This new scheme not only reflects more accurately the productivity of each branch but helps branch managers quantify the deployment of human resources as well. Thus the objectives of improving performance and reducing payroll are met.

The Group remunerates its employees and agents largely based on industry practice where sales agents receive fixed salaries and commission payments and non-sales personnel receive fixed salaries and discretionary bonus payments. All payments made to employees and sales agents remain highly competitive. Other staff benefits include medical and education subsidies, plus a share option scheme for both the Directors and employees.



The directors submit their report together with the audited accounts for the year ended 31st December 1999.

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 49 to 55.

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

	Turnover <i>HK\$'000</i>	Profit before taxation <i>HK\$'000</i>
Principal activities:		
Residential property broking services	664,084	63,805
Industrial and commercial property broking services	59,350	(596)
Real estate marketing services	3,798	(5,321)
	<u>727,232</u>	<u>57,888</u>
Net interest expenses		(777)
Share of loss of a jointly controlled entity		(445)
		<u>56,666</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 21.

The directors have declared an interim dividend of HK\$0.015 per ordinary share, totalling HK\$8,840,000, which was paid on 21st October 1999.

The directors recommend the payment of a final dividend of HK\$0.015 per ordinary share totalling HK\$8,847,000.

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 1999, the distributable reserve of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$125,540,000.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$51,000.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 10 to the accounts.

PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out on page 56.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in share capital, share options and warrants 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, 4,442,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$0.66 to HK\$0.94 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

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 CHUNG Kam Wing, Calvin and Mr LAI Dominic retire by rotation and, being eligible, offer themselves for re-election.

* *Independent non-executive directors*

Mr FUNG Yui Sum resigned as a non-executive director of the Company on 16th February 2000.

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 50, is the founder 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, human resources management, marketing management, financial management and sales force management 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 27 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 40, 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 36, 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 13 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 was 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 was 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. His employment contract as Managing Director has expired on 30th April, 1998 and he became a non-executive director instead of an executive director of the Company in May 1998. On 16th February 2000, Mr FUNG resigned as a non-executive director of the Company.

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 55, is a registered investment adviser and has extensive experience in the securities industry. He is also a director of Realink Securities Limited, China Point Stock Brokers Ltd. and I & P Securities Ltd. respectively, a consultant to Dao Heng Securities Limited and member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. Mr AU is also a non-executive director for several public companies listed on The Stock Exchange of Hong Kong Limited. In addition, he is the Ex-Deputy Chairman of Hong Kong Securities Clearing Company Limited (1992-1994) and Ex-Council member of The Stock Exchange of Hong Kong Limited (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 53, 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 31st December 1997. He was appointed as an independent non-executive director of the Company in November 1993.

Mr KAN Chung Nin, Tony, aged 49, LL.B., P.C.LL., is a practising solicitor in Hong Kong and also 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 Council of Shatin since 1985. 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 as well as Bronze Bauhinia Star for his further enthusiastic social contributions by the Chief Executive of the Hong Kong Special Administrative Region in 1999. 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 53, 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 36, is a director of Midland Realty (Aberdeen) Limited, a subsidiary of the Company. He is a 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 36, joined the Group in May 1988 and is currently responsible for the management of industrial and commercial properties divisions of the Group. He is a 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 38, is the associate director (finance) and company secretary, and appointed as a director of the property investment and property management companies of the Group. She has over 14 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 39, is a director of Midland Realty (Kln Res.) Limited, a subsidiary of the Company. He is a 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 10 years.

Mr LO Kee Wai, Kelvin, aged 39, chief financial officer, is a fellow member of the Chartered Association of Certified Accountants, an associate member of the Hong Kong Society of Accountants and the Certified General Accountants' Association of Canada, and a Chartered Financial Analyst. Before joining the Group in 1999, he had worked for a leading international accounting firm and three large listed conglomerates in Hong Kong. He has over 15 years of experience in the corporate finance and accounting fields.

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.

**DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES**

At 31st December 1999 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)) 10,572,000	162,500,000 (note (c))	31.46%
Mr FUNG Yui Sum	12,500,000 (note (b))	42,410,000 (note (d))	9.31%
Ms IP Kit Yee, Kitty	310,000	–	0.05%
Mr CHEUNG Kam Shing	300,000	–	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 Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.
- (d) These shares are owned by Everchamp Consultants Limited, a private company controlled by Bright News Limited through Bright Coin Trading Limited.
- (e) 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 for shares in the Company under the Company's share option scheme. Details of which are set out in note 14 to the accounts.

Apart from the share option scheme mentioned above, none of the directors and chief executives (including their spouse and children under 18 years of age) had been granted, or exercised, any rights to subscribe for shares or debt securities 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 1999 the register of the Company's substantial shareholders required to be kept under section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that other than the interests of the directors disclosed above, the Company had not been notified of any interest amounting to 10% or more of the Company's listed shares.

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 1999 are set out on pages 49 to 55.

ANALYSIS OF BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and overdrafts at 31st December 1999 is set out in note 16 to the accounts.

Apart from the above, the Group has no other borrowings at 31st December 1999.

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 of Hong Kong Limited 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. The members of Audit Committee met two times in 1999 and once in 2000. The meetings in April 1999 and March 2000 were held in conjunction with the auditors, to review audit reports, status of the Group's audits, internal controls and the final accounts of the Group prior to recommending them to the board of directors for approval.

MILLENNIUM BUG ISSUE

The Group had recognised the importance of the Millennium Bug ("Y2K") issues and disclosed its strategy in the annual report of 1998 and interim report of 1999.

The major computer systems and electronic devices have been operating properly in the new millenium.

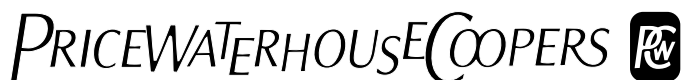
The Group had totally spent HK\$670,000 on the "Y2K" project and there is no further commitment in respect of the project.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
WONG Kin Yip, Freddie
Chairman

Hong Kong, 20th March 2000



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 21 to 55 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 1999 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, 20th March 2000



MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Profit and Loss Account

For the year ended 31st December 1999

		1999	1998
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	727,232	906,919
Other revenues	2	15,885	20,426
Other income		2,821	2,364
		<hr/>	<hr/>
Operating costs		745,938	929,709
Deficit arising on revaluation of investment properties		(674,702)	(834,140)
Loss on disposal of investment properties and other properties		–	(15,385)
Provision for branch closure costs		–	(13,543)
		<hr/>	<hr/>
Operating profit	3	70,184	41,274
Finance costs	4	(13,073)	(21,336)
Share of loss of a jointly controlled entity		(445)	(704)
		<hr/>	<hr/>
Profit before taxation		56,666	19,234
Taxation	5	(4,741)	(9,130)
		<hr/>	<hr/>
Profit after taxation		51,925	10,104
Minority Interests		(1,234)	206
		<hr/>	<hr/>
Profit attributable to shareholders	6 & 15	50,691	10,310
		<hr/>	<hr/>
Earnings per share	8	8.6 cents	1.7 cents
		<hr/>	<hr/>

MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Balance Sheet

As at 31st December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Fixed assets	10	371,462	390,365
Investment in a jointly controlled entity	12	2,054	2,446
Current assets			
Other investments	13	10,216	–
Accounts receivable		123,157	192,985
Other receivables		40,559	61,286
Bank balances and cash		194,737	282,220
		<u>368,669</u>	<u>536,491</u>
Current liabilities			
Accounts payable		59,681	107,628
Other payables		41,293	38,226
Current portion of long-term bank loans – secured	16	26,856	27,170
Taxation payable		6,237	6,993
Dividends payable to minority shareholders in subsidiaries		–	320
Proposed special cash bonus		–	118,559
Proposed final dividend		8,847	29,640
Bank overdrafts		8,337	9,437
		<u>151,251</u>	<u>337,973</u>
Net current assets		<u>217,418</u>	<u>198,518</u>
		<u>590,934</u>	<u>591,329</u>
Financed by:			
Share capital	14	58,980	59,280
Reserves	15	410,433	379,708
Shareholders' funds		469,413	438,988
Minority interests		9,538	8,304
Long-term bank loans – secured	16	110,480	141,533
Deferred taxation	17	1,503	2,504
		<u>590,934</u>	<u>591,329</u>

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

**MIDLAND REALTY (HOLDINGS) LIMITED****B a l a n c e S h e e t***As at 31st December 1999*

		1999	1998
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in subsidiaries	11	108,501	108,501
Current assets			
Other investments	13	10,216	–
Due from subsidiaries		581,021	424,137
Other receivables		7	7
Dividend receivable from a subsidiary		–	149,680
Bank balances and cash		1,567	1,566
		<u>592,811</u>	<u>575,390</u>
Current liabilities			
Due to a subsidiary		372,241	177,021
Other payables		706	507
Current portion of long-term bank loans – secured	16	17,650	18,933
Proposed special cash bonus		–	118,559
Proposed final dividend		8,847	29,640
Bank overdrafts		–	157
		<u>399,444</u>	<u>344,817</u>
Net current assets		<u>193,367</u>	<u>230,573</u>
		<u>301,868</u>	<u>339,074</u>
Financed by:			
Share capital	14	58,980	59,280
Reserves	15	189,999	205,299
Shareholders' funds		248,979	264,579
Long-term bank loans – secured	16	52,889	74,495
		<u>301,868</u>	<u>339,074</u>

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Cash Flow Statement

For the year ended 31st December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Net cash inflow from operating activities	18(a)	138,918	64,295
Returns on investments and servicing of finance			
Interest received		12,296	14,400
Interest paid		(13,073)	(21,336)
Dividends received from quoted investments		–	109
Dividends paid		(157,200)	(5,980)
Dividends paid to minority shareholders in subsidiaries		(320)	(700)
Net cash outflow from returns on investments and servicing of finance		(158,297)	(13,507)
Taxation			
Hong Kong profits tax paid		(12,254)	(21,294)
10% tax rebate for the year of assessment 1997/1998		5,756	–
Total taxation paid		(6,498)	(21,294)
Investing activities			
Purchase of fixed assets		(16,737)	(14,950)
Proceeds from disposal of fixed assets		217	61,215
Other investments		(10,148)	–
Acquisition of additional interest in a subsidiary		–	(757)
Advance to a jointly controlled entity		(53)	(589)
Proceeds from disposal of quoted investments		–	8,037
Net cash (outflow)/inflow from investing activities		(26,721)	52,956
Net cash (outflow)/inflow before financing		(52,598)	82,450



MIDLAND REALTY (HOLDINGS) LIMITED

Consolidated Cash Flow Statement (Continued)

For the year ended 31st December 1999

	Note	1999 HK\$'000	1998 HK\$'000
Financing	18(b)		
Exercise of share options		1,525	–
Purchase of own shares		(3,939)	(4,415)
Repayment of bank loans		(31,367)	(69,276)
		<u>(33,781)</u>	<u>(73,691)</u>
Net cash outflow from financing		(33,781)	(73,691)
(Decrease)/increase in cash and cash equivalents		(86,379)	8,759
Cash and cash equivalents at 1st January		272,783	275,089
Increase/(decrease) in other investments – listed shares		131	(11,068)
Effect of foreign exchange rate changes		(4)	3
		<u>186,531</u>	<u>272,783</u>
Cash and cash equivalents 31st December		186,531	272,783
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		194,737	282,220
Bank overdrafts		(8,337)	(9,437)
Other investments – listed shares		131	–
		<u>186,531</u>	<u>272,783</u>

MIDLAND REALTY (HOLDINGS) LIMITED

Statement of Recognised Gains and Losses

For the year ended 31st December 1999

	<i>Note</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Exchange differences arising on translation of subsidiaries and a jointly controlled entity	15	<u>(4)</u>	<u>3</u>
Net (losses)/gains not recognised in the profit and loss account		(4)	3
Profit for the year		<u>50,691</u>	<u>10,310</u>
Total recognised gains		50,687	10,313
Goodwill eliminated directly against reserves		<u>—</u>	<u>(1,364)</u>
		<u>50,687</u>	<u>8,949</u>



1. PRINCIPAL ACCOUNTING POLICIES

As a result of adoption of Statements of Standard Accounting Practice ("SSAP") No.1 and 2, certain comparative figures have been extended to conform with the current year's presentation.

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, certain other properties and other investments.

(b) 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.



1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

(c) **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.

(d) **Reserve arising on consolidation and goodwill**

Reserve arising on consolidation comprises:-

- (i) Capital reserve arising on shares exchange on merger which 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.
- (ii) Capital reserve arising from 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 reserve 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 reserve in the year of acquisition.

(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 of 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.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(e) Investment properties (continued)**

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.

(f) Other properties and fixed assets

Other properties are interests in land and buildings other than investment properties and are stated at cost/valuation at 31st March 1995 less accumulated depreciation. 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 No. 17 which provides exemption from the need to make regular revaluations for such assets.

The cost of other property transferred from investment property is deemed to be the carrying amount of the property as stated under its original classification. Any previous revaluation reserve on the property is frozen upon the transfer until the retirement or disposal of the property. On the retirement or disposal of the property, the frozen revaluation reserve is transferred directly to retained earnings.

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 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.



1. **PRINCIPAL ACCOUNTING POLICIES** (continued)

(f) **Other properties and fixed assets** (continued)

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, represents the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(g) **Other investments**

Other investments are bonds and listed shares which are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

In prior years, other investments were stated at the lower of cost and fair value. This represents a change in accounting policy in order to comply with SSAP No. 24 issued by the Hong Kong Society of Accountants. The new accounting policy has been applied retrospectively. The change in accounting policy does not have any effect on the comparatives, current year's profit or retained earnings.

(h) **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.

(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.



1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Translation of foreign currencies (continued)

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) 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.

(l) 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.

(m) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.



2. REVENUE AND TURNOVER

The Group is principally engaged in property broking services. Revenues recognised during the year are as follows:

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Turnover		
Agency fee revenue	727,232	906,919
Other revenues		
Bank interest income	11,834	14,400
Bond interest income	462	–
Gross rental income from investment properties	3,589	5,917
Dividend income from other investments	–	109
	<u>15,885</u>	<u>20,426</u>
Total revenue	<u>743,117</u>	<u>927,345</u>

**3. OPERATING PROFIT**

Operating profit is stated after (crediting) and charging the following:

	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff Costs	380,105	425,691
Depreciation	32,174	44,209
Loss on disposal of other fixed assets	2,197	607
Operating lease in respect of land and buildings	102,117	158,660
Outgoings in respect of investment properties	208	97
Provision for bad and doubtful debts	20,937	45,633
Net realised and unrealised (gain)/loss on other investments	(68)	3,031
Auditors' remuneration		
Charge for the year	1,016	1,065
Underprovision in prior year	211	217
	<hr/>	<hr/>

4. FINANCE COSTS

	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans		
Wholly payable within five years	7,002	8,098
Not wholly payable within five years	6,071	13,238
	<hr/>	<hr/>
	13,073	21,336
	<hr/>	<hr/>

5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (1998:16%) on the estimated assessable profit for the year.

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. TAXATION (continued)

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

	1999 HK\$'000	1998 HK\$'000
Hong Kong profits tax	11,498	14,500
Over provision in prior years	–	(1,986)
10% tax rebate for the year of assessment 1997/1998	(5,756)	–
Deferred taxation (note 17)	(1,001)	(3,384)
	<u>4,741</u>	<u>9,130</u>

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$4,662,000 (1998: HK\$149,455,000).

7. DIVIDENDS

	1999 HK\$'000	1998 HK\$'000
Adjustment to prior year's final dividend	161	–
Interim, HK\$0.015 (1998: Nil) per ordinary share	8,840	–
Special cash bonus for 1998, HK\$0.20 per ordinary share	–	118,559
Final, proposed of HK\$0.015 (1998: HK\$0.05) per ordinary share payable on 27th April 2000	8,847	29,640
	<u>17,848</u>	<u>148,199</u>

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$50,691,000 (1998: HK\$10,310,000) and the weighted average of 591,916,000 (1998: 594,021,000) ordinary shares in issue during the year.

In the event that dilutive potential ordinary shares in 1999 were exercised in full, the fully diluted earnings per share for the year ended 31st December 1999 would not be significantly different from the earnings per share as disclosed in the consolidated profit and loss account on page 21.

The outstanding share options in 1998 did not result in a dilution effect on the earnings per share in respect of the year ended 31st December 1998.

**9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

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

	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>
Fee	280	113
Basic salaries, housing allowances, other allowances and benefits in kind	10,868	11,578
Discretionary bonuses	3,000	600
	<u>14,148</u>	<u>12,291</u>

Directors' fees include HK\$240,000 (1998: 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 which are set out in note 14.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
<i>HK\$</i>	1999	1998
0 – 1,000,000	6	5
1,500,001 – 2,000,000	1	2
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	1	–
6,000,001 – 6,500,000	–	1
9,000,001 – 9,500,000	1	–
	<u>9</u>	<u>9</u>

No directors waived their emoluments in respect of the years ended 31st December 1999 and 1998.



9. **DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**

- (b) The five individuals whose emoluments were the highest in the Group for the year include three (1998: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (1998: one) individuals during the year are as follows:

	1999 HK\$'000	1998 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<u>2,673</u>	<u>1,115</u>

The emoluments fell within the following bands:

<u>Emoluments bands</u> HK\$	<u>Number of individuals</u>	
	1999	1998
1,000,001 – 1,500,000	<u>2</u>	<u>1</u>

10. FIXED ASSETS

	Group							
	Investment properties in Hong Kong HK\$'000	Investment properties outside Hong Kong HK\$'000	Other properties 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
Cost or valuation								
At 1st January 1999								
At cost	-	-	265,406	50,037	13,270	71,726	2,646	403,085
At 1995 professional valuation	-	-	44,200	-	-	-	-	44,200
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
Additions at cost	-	-	420	9,160	82	5,764	1,311	16,737
Revaluation deficit	(601)	(451)	-	-	-	-	-	(1,052)
Transfer from investment properties	(6,000)	-	6,000	-	-	-	-	-
Transfer from other properties	5,200	-	(5,385)	-	-	-	-	(185)
Disposals	-	-	-	(8,762)	(145)	(497)	(297)	(9,701)
At 31st December 1999	33,149	7,500	310,641*	50,435	13,207	76,993	3,660	495,585
Accumulated depreciation								
At 1st January 1999	-	-	10,806	39,869	8,238	37,862	2,646	99,421
Charge for the year	-	-	5,096	9,075	1,976	15,771	256	32,174
Reclassification	-	-	(185)	-	-	-	-	(185)
Disposals	-	-	-	(7,011)	(29)	(127)	(120)	(7,287)
At 31st December 1999	-	-	15,717	41,933	10,185	53,506	2,782	124,123
Net book value								
At 31st December 1999	33,149	7,500	294,924	8,502	3,022	23,487	878	371,462
At 31st December 1998	34,550	7,951	298,800	10,168	5,032	33,864	-	390,365

The analysis of the cost or valuation at 31st December 1999 of the above assets is as follows:

At cost	-	-	266,441	50,435	13,207	76,993	3,660	410,736
At 1995 professional valuation	-	-	44,200	-	-	-	-	44,200
At 1999 professional valuation	33,149	7,500	-	-	-	-	-	40,649
	33,149	7,500	310,641*	50,435	13,207	76,993	3,660	495,585



10. FIXED ASSETS (continued)

* The carrying cost of other properties in Hong Kong at 31st December 1999 of HK\$310,641,000 (1998: HK\$309,606,000) includes an amount of HK\$31,800,000 (1998: HK\$25,800,000) transferred from investment properties.

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

	Group	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong, held on:		
Leases of over 50 years	199,263	202,704
Leases of between 10 to 50 years	128,810	130,646
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	7,500	7,951
	<u>335,573</u>	<u>341,301</u>

Investment properties were revalued at 31st December 1999 on the basis of their open market value by Mr Tony T.N. Chan, a member of the Hong Kong Institute of Surveyors employed by the Group. The deficit arising on revaluation amounted to HK\$1,052,000 (1998: 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 the other properties would have been HK\$293,620,000 (1998: HK\$300,277,000) had they been stated at cost less accumulated depreciation.

At 31st December 1999, the net book value of investment properties and other properties pledged as security for the Group's long-term loans amount to HK\$315,625,000 (1998: HK\$320,640,000) (note 20).

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<u>108,501</u>	<u>108,501</u>

Details of subsidiaries are set out on pages 49 to 55.

**12. INVESTMENT IN A JOINTLY CONTROLLED ENTITY**

	Group	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	554	999
Amount due by a jointly controlled entity	1,500	1,447
	<u>2,054</u>	<u>2,446</u>

Details of the jointly controlled entity are set out on page 55.

13. OTHER INVESTMENTS – GROUP AND COMPANY

	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate bonds	10,085	–
Listed shares in Hong Kong	131	–
	<u>10,216</u>	<u>–</u>

14. SHARE CAPITAL

(a) Share Capital

	Company	
	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>
<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>58,980</u>	<u>59,280</u>

(b) Purchase of shares

During the year, the Company purchased a total of 4,442,000 of its own shares through the Stock Exchange. Details of the purchases are as follows:-

<u>Month of purchase</u>	<u>Number of shares</u>	<u>Purchase price per share</u>		<u>Aggregate consideration paid including expenses</u>
		<u>Highest paid</u>	<u>Lowest paid</u>	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
August 1999	4,120,000	0.94	0.86	3,714
October 1999	322,000	0.71	0.66	225
	<u>4,442,000</u>			<u>3,939</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 profits to capital redemption reserve (note 15).

**14. SHARE CAPITAL (continued)****(c) Share options**

Details of outstanding share options held by the directors are as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding at 31st December 1999	Exercisable period
Directors				
Mr WONG Kin Yip, Freddie	13th May 1997	2.91	1,500,000	13th May 1997 to 13th May 2000
Mr FUNG Yui Sum	13th May 1997	2.91	1,500,000 *	13th May 1997 to 13th May 2000
Ms IP Kit Yee, Kitty	13th May 1997	2.91	500,000	13th May 1998 to 13th May 2001
		2.91	500,000	13th May 1999 to 13th May 2002
Mr CHEUNG Kam Shing	18th October 1996	1.44	825,000	18th October 1997 to 18th October 2000
		1.44	850,000	18th October 1998 to 18th October 2001
Total for directors			<u>5,675,000</u>	

* Subsequent to 31st December 1999, Mr FUNG Yui Sum resigned from the Company and his respective share options lapsed accordingly.

There were no share options granted to, exercised or lapsed in accordance with the terms of the share option scheme for the directors of the Company during the year.

14. SHARE CAPITAL (continued)

(c) Shares options (continued)

Apart from the above, details of the share options granted to, exercised by other employees of the Group or lapsed in accordance with the terms of the share option scheme for the employees of the Company during the year are as follows:

Date of share options granted	Exercise price HK\$	Balance outstanding at 1st January 1999	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance outstanding at 31st December 1999	Exercisable period
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
1st March 1998	1.30	2,218,000	-	644,000	193,000 #	1,381,000	1st March 1999 to 1st March 2002
	1.30	2,218,000	-	-	251,000 #	1,967,000	1st March 2000 to 1st March 2003
1st March 1999	0.68	-	1,250,000	-	1,250,000 #	-	1st March 2000 to 1st March 2002
	0.68	-	1,250,000	-	1,250,000 #	-	1st March 2001 to 1st March 2004
21st June 1999	0.86	-	1,600,000	800,000	-	800,000	21st August 1999 to 21st August 2002
	0.86	-	1,600,000	-	-	1,600,000	21st June 2000 to 21st June 2003
Total for other employees		5,436,000	5,700,000	1,444,000	2,944,000	6,748,000	

During the year ended 31st December 1999, certain employees resigned from the Group and their respective share options for a total of 2,944,000 shares lapsed accordingly.

(d) Placing of warrants

On 11th January 2000, the Company allotted and issued 110,000,000 unlisted warrants to professional investors by way of private placing at an issue price of HK\$0.228 per warrant. The unlisted warrants entitle the holders thereof to subscribe up to HK\$55,000,000 in cash for shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.50 per share. Total warrant proceeds net of issuing expenses amounted to HK\$23,000,000 approximately which are intended to be used for upgrading computer system for sales operation to enable future integration with the Group's internet website.

On 19th January 2000 and 1st March 2000, 2,992,000 and 400,000 shares had been allotted and issued respectively upon exercise of the unlisted warrants.

15. RESERVES

	Group						
	Share	Capital	Arising on	Other	Exchange	Retained	Total
	premium	redemption	consolidation	properties	difference	earnings	HK\$'000
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January 1998	69,219	280	14,369	220	(527)	439,290	522,851
Purchase of own 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 retained	-	-	-	-	-	10,310	10,310
Dividends and special cash bonus	-	-	-	-	-	(148,199)	(148,199)
	<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>
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	65,326	802	13,005	220	259	302,597	382,209
Jointly controlled entity	-	-	-	-	(783)	(1,718)	(2,501)
	<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>
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>
At 1st January 1999	65,326	802	13,005	220	(524)	300,879	379,708
Purchase of own shares	(3,495)	-	-	-	-	-	(3,495)
Transfer from retained earnings	-	445	-	-	-	(445)	-
Exercise of share options	1,381	-	-	-	-	-	1,381
Exchange differences	-	-	-	-	(4)	-	(4)
Profit for the year retained	-	-	-	-	-	50,691	50,691
Dividends	-	-	-	-	-	(17,848)	(17,848)
	<u>63,212</u>	<u>1,247</u>	<u>13,005</u>	<u>220</u>	<u>(528)</u>	<u>333,277</u>	<u>410,433</u>
At 31st December 1999	<u>63,212</u>	<u>1,247</u>	<u>13,005</u>	<u>220</u>	<u>(528)</u>	<u>333,277</u>	<u>410,433</u>
Company and subsidiaries	63,212	1,247	13,005	220	255	335,440	413,379
Jointly controlled entity	-	-	-	-	(783)	(2,163)	(2,946)
	<u>63,212</u>	<u>1,247</u>	<u>13,005</u>	<u>220</u>	<u>(528)</u>	<u>333,277</u>	<u>410,433</u>
At 31st December 1999	<u>63,212</u>	<u>1,247</u>	<u>13,005</u>	<u>220</u>	<u>(528)</u>	<u>333,277</u>	<u>410,433</u>

Profit for the year of HK\$50,691,000 (1998: HK\$10,310,000) included loss of HK\$445,000 (1998: loss of HK\$704,000) attributable to the jointly controlled entity.

15. RESERVES (continued)

	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 retained	-	-	-	149,455	149,455
Dividend 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>
At 1st January 1999	65,326	802	108,001	31,170	205,299
Purchase of shares	(3,495)	-	-	-	(3,495)
Transfer from retained earnings	-	445	-	(445)	-
Exercise of share options	1,381	-	-	-	1,381
Profit for the year retained	-	-	-	4,662	4,662
Dividends	-	-	-	(17,848)	(17,848)
At 31st December 1999	<u>63,212</u>	<u>1,247</u>	<u>108,001</u>	<u>17,539</u>	<u>189,999</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 Group level, 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 1999, net of dividends paid and proposed, amounted to HK\$125,540,000 (1998: HK\$139,171,000).



16. LONG-TERM BANK LOANS – SECURED

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Bank loans – secured (<i>note 20</i>)				
Wholly repayable within five years	72,017	37,787	70,539	34,905
Not wholly repayable within five years	65,319	130,916	–	58,523
	<u>137,336</u>	<u>168,703</u>	<u>70,539</u>	<u>93,428</u>
Current portion of long-term bank loans	(26,856)	(27,170)	(17,650)	(18,933)
	<u>110,480</u>	<u>141,533</u>	<u>52,889</u>	<u>74,495</u>

At 31st December 1999, the Group's bank loans and overdrafts were repayable as follows:

	Group		Company	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
Within one year	35,193	36,607	17,650	19,090
In the second year	25,869	27,668	17,427	18,550
In the third to fifth year	65,693	77,486	35,462	50,127
After the fifth year	18,918	36,379	–	5,818
	<u>145,673</u>	<u>178,140</u>	<u>70,539</u>	<u>93,585</u>

17. DEFERRED TAXATION

	Group	
	1999 HK\$'000	1998 HK\$'000
At 1st January	2,504	5,888
Transferred to profit and loss account (<i>note 5</i>)	(1,001)	(3,384)
At 31st December	<u>1,503</u>	<u>2,504</u>

17. DEFERRED TAXATION (continued)

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

	1999		1998	
	Full potential assets/(liabilities) HK\$'000	Provision made HK\$'000	Full potential assets/(liabilities) HK\$'000	Provision made HK\$'000
Accelerated depreciation allowance	(1,503)	(1,503)	(2,504)	(2,504)
Tax losses	9,442	-	2,798	-
	<u>7,939</u>	<u>(1,503)</u>	<u>294</u>	<u>(2,504)</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 profit from operating activities to net cash inflow from operating activities

	1999 HK\$'000	1998 HK\$'000
Profit from operating activities	70,184	41,274
Depreciation of fixed assets	32,174	44,209
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	2,197	607
Deficit arising on revaluation of investment properties	1,052	25,367
Net realised and unrealised (gain)/loss on other investments	(68)	3,031
Decrease/(increase) in accounts and other receivables	90,555	(5,595)
Decrease in bank deposits pledged	-	775
Decrease in accounts and other payables	(44,880)	(61,376)
Interest income	(12,296)	(14,400)
Dividend received from other investments	-	(109)
Net cash inflow from operating activities	<u>138,918</u>	<u>64,295</u>



18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of change in financing during the year

	Share capital and share premium		Bank loans		Minority interests	
	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000	1999 HK\$'000	1998 HK\$'000
At 1st January	124,606	129,021	168,703	237,979	8,304	5,863
Minority interests' in share of profits/(losses)	-	-	-	-	1,234	(206)
Purchase of own shares	(3,939)	(4,415)	-	-	-	-
Repayment of bank loans	-	-	(31,367)	(69,276)	-	-
Exercise of share options	1,525	-	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	2,967
Dividends payable to minority shareholders in subsidiaries	-	-	-	-	-	(320)
At 31st December	122,192	124,606	137,336	168,703	9,538	8,304

19. COMMITMENTS

Commitments under operating leases

At 31st December 1999 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:-

	1999 HK\$'000	1998 HK\$'000
Within one year	20,391	42,453
In the second to fifth year inclusive	48,431	48,842
	68,822	91,295

20. PLEDGE OF ASSETS

At 31st December 1999 the Group's bank loans of HK\$137,336,000 (1998: HK\$168,703,000) were secured by all investment properties and certain other properties in Hong Kong held by the Group with a total net book value of HK\$315,625,000 (1998: HK\$320,640,000).

**21. PENDING LITIGATIONS**

The Group has been involved in certain litigations in respect of property broking services, and in legal disputes on certain obligations in respect of a tenancy agreement previously entered into by a subsidiary (in the process of liquidation). After seeking legal advice, the directors are of the opinion that adequate provision has been made in the accounts to cover any potential liabilities arising from the litigations.

22. CONTINGENT LIABILITIES – COMPANY

During the years ended 31st December 1999 and 1998, the Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

23. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 20th March 2000.



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>				
Atomic Resources Limited (Note (b))	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100
Automatic Win Limited (Note (b))	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Best Chance Realty Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
Best Leader Limited	Hong Kong	Property management 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
Cyber Win Limited (Note (b))	Hong Kong	Holding of internet website in Hong Kong	2 Ordinary shares of HK\$1 each	100
Excellent World Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Express Sign Limited (Note (b))	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Frankwell Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Forever Fine Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Global Strategy Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries (continued)				
<i>– indirectly held by the Company (continued)</i>				
Golden Forrest Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Goldlane Management Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Goldbright Profits Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Grand World Advertising Company Limited	Hong Kong	Marketing and advertising management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Great Solution Limited <i>(Note (b))</i>	British Virgin Islands	Dormant	1 Ordinary share of US\$1 each	100
Harvest Time Investments Limited <i>(Note (b))</i>	British Virgin Islands	Dormant	1 Ordinary share of US\$1 each	100
King Excellence 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 Corporate Agency Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland International Property Agency Limited	Hong Kong	Dormant	100,000 Ordinary shares of HK\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries (continued)				
<i>– indirectly held by the Company (continued)</i>				
Midland Overseas Property Agency Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Pacific Realty Limited (Note (a))	Canada	Dormant	100 Common shares of CAD1 each 20 Common shares of Nil	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	Investment holding in Hong Kong	100 Ordinary shares of HK\$1,000 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 (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. (Note (a))	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	Dormant	400,000 Ordinary shares of HK\$1 each	100
Midland Realty (Fairview) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries (continued)				
<i>– indirectly held by the Company (continued)</i>				
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 (Kln Res.) Limited	Hong Kong	Property agent in Hong Kong	800,000 Ordinary shares of HK\$1 each	90
Midland Realty (Kornhill) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (LKW) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (North Point) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Shatin) Limited	Hong Kong	Dormant	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	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (TKS) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Tsuen Wan) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries (continued)				
<i>– indirectly held by the Company (continued)</i>				
Midland Realty Cyber Agent Limited (formerly known as Dynamic Win Limited)	Hong Kong	Cyber agent in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Realty Mortgage Broker Limited (<i>Note (b)</i>)	Hong Kong	Mortgage broker in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Realty (Whampoa) Limited	Hong Kong	Dormant	500,000 Ordinary shares of HK\$1 each	100
Midland Surveyors Limited	Hong Kong	Property valuer in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Modern Rich Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Outright Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Perfect Tower Limited	Hong Kong	Property investment in the People's Republic of China	2 Ordinary shares of HK\$1 each	100
Power Concord Limited	Hong Kong	Credit and collection management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Pure Sense Limited (<i>Note (b)</i>)	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Real Gain Limited	Hong Kong	Property investment in Hong Kong	10,000 Ordinary shares of HK\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries (continued)				
<i>– indirectly held by the Company (continued)</i>				
Rich Famous Limited	Hong Kong	Property management in Hong Kong	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
Strong Well Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Super Outlook Limited (Note (b))	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Systems Gold Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100
Topco Management Limited	Hong Kong	Property management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Welleson Management Limited (Note (c))	Hong Kong	In liquidation	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
Wordstar Limited	British Virgin Islands	Property management in Hong Kong	1 Ordinary share of US\$1 each	100



Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Jointly controlled entity				
<i>– indirectly held by the Company</i>				
Midland (Guangzhou) Real Estate Consultants Ltd. (Note (a))	The People's Republic of China	Property agent in the People's Republic of China	HK\$5,000,000	70

Notes:

- (a) These subsidiaries/jointly controlled entity 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 liquidation (note 21 to the accounts).

List of Investment Properties

At 31st December 1999

	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. 21 G/F Mayfair Centre No. 6 Ash Street Tai Kok Tsui Kowloon	Commercial	Long
5.	Shop No. 50 Cheerful Garden No. 23 Siu Sai Wan Road Hong Kong	Commercial	Medium
6.	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
7.	Shop No. 42 Sun Hing Garden No. 2 On Po Lane Tai Po New Territories	Commercial	Medium
8.	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
9.	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