

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### CORPORATE INFORMATION

#### Directors

##### *Executive Directors*

Mr WONG Kin Yip, Freddie

*(Chairman and  
Managing Director)*

Ms IP Kit Yee, Kitty

*(Deputy Chairman)*

Mr CHEUNG Kam Shing

*(Deputy Chairman)*

##### *Independent non-executive Directors*

Mr AU Son Yiu

Mr CHUNG Kam Wing, Calvin

Mr KAN Chung Nin, Tony

Mr LAI Dominic

#### Audit Committee

Mr CHUNG Kam Wing, Calvin

*(Chairman)*

Mr AU Son Yiu

#### Company Secretary

Ms LAM Fung Fong, AHKSA FCCA

#### Registered Office

Clarendon House

Church Street

Hamilton HM 11

Bermuda

#### Website

[www.midland.com.hk](http://www.midland.com.hk)

#### 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

American Express Bank Limited

Dao Heng Bank Limited

International Bank of Asia Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking

Corporation Limited

#### Hong Kong Legal Advisers

Iu, Lai & Li

9th and 15th Floors

The Bank of East Asia Building

10 Des Voeux Road Central

Hong Kong

#### Bermuda Legal Advisers

Conyers Dill & Pearman

Suite 2901, One Exchange Square

8 Connaught Place

Central

Hong Kong

#### Principal Registrar and Transfer Office

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Pembroke

Bermuda

#### Hong Kong Branch Share Registrar, Warrant Registrar and Transfer Office


Abacus Share Registrars Limited

5th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

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# Midland Realty (Holdings) Limited

## 2001 Interim Report

### FINANCIAL HIGHLIGHTS

	Unaudited		Percentage increase
	Six months ended		
	30.6.2001	30.6.2000	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	454,534	336,397	35%
Profit attributable to shareholders	28,465	16,312	75%
Basic earnings per share	HK4.78 cents	HK2.75 cents	74%

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### INTERIM RESULTS

The Board of Directors (the “Directors”) of Midland Realty (Holdings) Limited (the “Company”) is pleased to present the Interim Report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2001. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of recognised gains and losses for the Group for the six months ended 30th June 2001, and the consolidated balance sheet as at 30th June 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out below:

### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30.6.2001</b>	<b>30.6.2000</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	454,534	336,397
Other revenues		18,669	21,124
Other income		1,154	186
		<hr/>	<hr/>
		474,357	357,707
Operating costs		(426,909)	(325,470)
Deficit arising on revaluation of investment properties		(6,120)	(5,959)
		<hr/>	<hr/>
Operating profit	3	41,328	26,278
Finance costs		(6,967)	(6,267)
Share of profits less losses of jointly controlled entities		1,597	534
		<hr/>	<hr/>
Profit before taxation		35,958	20,545
Taxation	4	(5,763)	(3,892)
		<hr/>	<hr/>
Profit after taxation		30,195	16,653
Minority interests		(1,730)	(341)
		<hr/>	<hr/>
Profit attributable to shareholders		28,465	16,312
		<hr/>	<hr/>
Basic earnings per share	6	HK4.78 cents	HK2.75 cents
		<hr/>	<hr/>
Diluted earnings per share	6	HK4.42 cents	HK2.59 cents
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# Midland Realty (Holdings) Limited

## 2001 Interim Report

### CONDENSED CONSOLIDATED BALANCE SHEET

		<b>Unaudited 30.6.2001 HK\$'000</b>	<b>Restated* 31.12.2000 HK\$'000</b>
Non-current assets			
Fixed assets	7	338,945	352,494
Investments in jointly controlled entities		13,397	11,123
		352,342	363,617
Current assets			
Accounts receivable	8	202,829	160,880
Other receivables, prepayments and deposits		52,465	52,913
Trading investments		12,469	16,212
Bank balances and cash		347,949	351,681
		615,712	581,686
Current liabilities			
Accounts payable	9	106,791	94,001
Other payables and accrued charges		70,025	73,307
Current portion of long-term bank loans	10	1,678	1,389
Taxation payable		15,230	17,352
Bank overdrafts		5,709	7,768
		199,433	193,817
Net current assets		416,279	387,869
Total assets less current liabilities		768,621	751,486
Financed by:			
Share capital	11	59,579	59,519
Reserves	12	446,787	420,935
Proposed dividend		2,979	11,904
Shareholders' funds		509,345	492,358
Minority interests		18,207	16,477
Non-current liabilities			
Long-term bank loans	10	140,356	141,363
Convertible note		70,000	70,000
Deferred income		30,443	30,443
Deferred taxation		270	845
		241,069	242,651
		768,621	751,486

\* Restated based on the audited accounts

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited</b> <b>Six months ended</b> <b>30.6.2001</b> <i>HK\$'000</i>	
Net cash inflow from operating activities	21,188	
Net cash outflow from returns on investments and servicing of finance	(11,473)	
Net taxation paid	(8,316)	
Net cash outflow from investing activities	(2,780)	
Net cash outflow from financing	(292)	
Decrease in cash and cash equivalents	(1,673)	
Cash and cash equivalents at 1st January 2001	343,941	
Cash and cash equivalents at 30th June 2001	342,268	
	<b>Unaudited</b> <b>30.6.2001</b> <i>HK\$'000</i>	
	<b>Unaudited</b> <b>1.1.2001</b> <i>HK\$'000</i>	
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	347,949	351,681
Bank overdrafts	(5,709)	(7,768)
Trading investments – listed equity securities	28	28
	342,268	343,941

### CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	<b>Unaudited</b> <b>Six months ended</b> <b>30.6.2001</b> <i>HK\$'000</i>	<b>30.6.2000</b> <i>HK\$'000</i>
Profit attributable to shareholders	28,465	16,312
Total recognised gains	28,465	16,312
Goodwill eliminated directly against reserves	–	(50,000)
	28,465	(33,688)

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# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except that the Group has taken advantage of exemption from disclosing the comparative figures of the condensed consolidated cash flow statement under paragraph 37.3 of Appendix 16 of the Listing Rules as in this first year of implementation of SSAP 25.

The condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 26:	Segment reporting
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below:

(i) *SSAP 9 (revised): Events after balance sheet date*

In accordance with the SSAP 9 (revised), the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 1. Basis of preparation and accounting policies *(continued)*

##### *(i) SSAP 9 (revised): Events after balance sheet date (continued)*

The opening retained earnings at 1st January 2000 and 2001 have increased by HK\$8,847,000 and HK\$11,904,000 respectively which are the reversal of the proposed dividends previously recorded as liabilities as at 31st December 1999 and 2000 respectively. This adjustment has no effect on current liabilities at 30th June 2001. The current liabilities at 31st December 2000 were decreased by HK\$11,904,000 accordingly.

##### *(ii) SSAP 26: Segment reporting*

In note 2 to these condensed interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical as the secondary reporting format.

##### *(iii) SSAP 30: Business combinations*

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on acquisitions that occurred prior to 1st January 2001 was taken to reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets".

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 2. Turnover and segment information

The Group is principally engaged in property broking services.

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

	Turnover		Profit before taxation	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Residential property broking services, mortgage broking and web advertising services	413,712	298,782	33,185	16,010
Industrial and commercial property broking services	39,059	36,366	6,365	6,779
Real estate marketing services	1,763	1,249	(5,620)	(2,963)
	<u>454,534</u>	<u>336,397</u>	33,930	19,826
Net interest income			431	185
Share of profits less losses of jointly controlled entities			<u>1,597</u>	<u>534</u>
Profit before taxation			<u>35,958</u>	<u>20,545</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.



# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 2. Turnover and segment information *(continued)*

An analysis of the Group's segment revenues and results for the period by business segments is set out as follows:

	Segment revenues		Segment results	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Business segments:				
Residential property	424,519	313,031	65,942	56,576
Industrial and commercial property	39,473	36,426	5,237	6,632
Others	1,813	1,612	(1,145)	(1,774)
	<u>465,805</u>	<u>351,069</u>	70,034	61,434
Interest income			7,398	6,452
Unallocated costs			(36,104)	(41,608)
Finance costs			(6,967)	(6,267)
Share of profits less losses of jointly controlled entities			<u>1,597</u>	<u>534</u>
Profit before taxation			<u>35,958</u>	<u>20,545</u>

#### 3. Operating profit

	Unaudited	
	Six months ended	
	30.6.2001	30.6.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after charging the following:		
Depreciation	12,854	14,591
Provision for bad and doubtful debts	10,598	10,628
	<u>23,452</u>	<u>25,219</u>

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (six months ended 30.6.2000: 16%) on the estimated assessable profit for the period.

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

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

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30.6.2001</b>	<b>30.6.2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries:		
Hong Kong profits tax	6,200	3,720
(Over)/under provision in prior years	(6)	172
Deferred taxation	(575)	–
	<u>5,619</u>	<u>3,892</u>
Jointly controlled entity:		
Hong Kong profits tax	<u>144</u>	<u>–</u>
	<u>5,763</u>	<u>3,892</u>

# Midland Realty (Holdings) Limited

## 2001 Interim Report


### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 5. Dividends

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30.6.2001</b>	<b>30.6.2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
2000 Final dividend, paid, of HK2.0 cents (1999 Final dividend paid: HK1.5 cents) per ordinary share ( <i>note (i)</i> )	11,904	8,929
2001 Interim dividend, proposed on 17th September 2001, of HK0.5 cent (2000 Interim dividend paid: HK1.0 cent) per ordinary share ( <i>note (ii)</i> )	<u>2,979</u>	<u>5,940</u>
	<u>14,883</u>	<u>14,869</u>

*Notes:*

- (i) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$8,847,000 and HK\$11,904,000 respectively. Under the Group's new accounting policy as described in note 1(i), these have been adjusted to opening retained earnings as at 1st January 2000 and 2001 in note 12 and are now charged in the period in which they were proposed.
- (ii) At a meeting held on 17th September 2001 the Directors declared an interim dividend of HK0.5 cent per share. This proposed dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2001.

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# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 6. Earnings per share

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$28,465,000 (six months ended 30.6.2000: HK\$16,312,000) and the weighted average number of 595,623,000 (six months ended 30.6.2000: 593,323,000) ordinary shares in issue during the period.

The diluted earnings per share is based on the adjusted profit of HK\$30,229,000 (six months ended 30.6.2000: HK\$16,312,000) on the assumption that all outstanding convertible note had been exercised at the date of issue and had saved interest payable thereon, and 683,448,000 (six months ended 30.6.2000: 629,048,000) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 87,825,000 (six months ended 30.6.2000: 35,725,000) ordinary shares deemed to be issued at no consideration if all outstanding warrants, options and convertible note had been exercised.

#### 7. Fixed assets

During the period, the Group acquired fixed assets for an amount of approximately HK\$5,772,000 (year ended 31.12.2000: approximately HK\$14,778,000).

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 8. Accounts receivable

The accounts receivable represents principally agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts due upon the completion of the relevant agreements. At 30th June 2001, the ageing analysis of the Group's accounts receivable was set out as follows:

	<b>Unaudited</b> <b>30.6.2001</b> <i>HK\$'000</i>	<b>Audited</b> <b>31.12.2000</b> <i>HK\$'000</i>
Not yet due	166,328	121,878
Within 30 days	17,073	9,626
31-60 days	6,792	8,285
61-90 days	4,654	5,333
Over 90 days	7,982	15,758
	<u>202,829</u>	<u>160,880</u>

#### 9. Accounts payable

The accounts payable represents principally the commissions payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. As at 30th June 2001, the accounts payable included HK\$25,592,000 (year ended 31.12.2000: HK\$31,953,000) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 10. Long-term bank loans

	<b>Unaudited</b> <b>30.6.2001</b> <i>HK\$'000</i>	<b>Audited</b> <b>31.12.2000</b> <i>HK\$'000</i>
Bank loans – secured		
Wholly repayable within five years	131,000	131,000
Not wholly repayable within five years	11,034	11,752
	<hr/>	<hr/>
	142,034	142,752
Current portion of long-term bank loans	(1,678)	(1,389)
	<hr/>	<hr/>
	<b>140,356</b>	<b>141,363</b>
	<hr/>	<hr/>

At 30th June 2001, the Group's bank loans and overdrafts were repayable as follows:

	<b>Bank loans and overdrafts</b>	
	<b>Unaudited</b> <b>30.6.2001</b> <i>HK\$'000</i>	<b>Audited</b> <b>31.12.2000</b> <i>HK\$'000</i>
Within one year	7,387	9,157
In the second year	132,798	1,525
In the third to fifth year	6,206	136,487
After the fifth year	1,352	3,351
	<hr/>	<hr/>
	<b>147,743</b>	<b>150,520</b>
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# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 11. Share capital

(a) *Share capital*

	<b>Unaudited</b>	
	<b>Ordinary shares of HK\$0.10 each</b>	
	Number of shares	HK\$'000
<i>Authorised:</i>		
At 1st January 2000, 2001 and 30th June 2001	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 1st January 2000	589,797,000	58,980
Exercise of warrants	5,892,000	589
Purchase of shares	(500,000)	(50)
At 31st December 2000	595,189,000	59,519
At 1st January 2001	595,189,000	59,519
Exercise of share options	600,000	60
At 30th June 2001	595,789,000	59,579

(b) *Warrants*

As at 30th June 2001, there were 104,108,000 outstanding warrants, which entitle the holders thereof to subscribe for the ordinary shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.50 per share (subject to adjustment) at any time up to and including 11th January 2003. No warrants were exercised during the six months ended 30th June 2001.

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### NOTES TO THE CONDENSED INTERIM ACCOUNTS

#### 12. Reserves

	Share premium	Capital redemption	Arising on consolidation	Warrant	Other properties revaluation	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2001 as previously reported	66,581	1,297	(36,995)	21,824	220	(583)	368,591	420,935
Effect of adopting SSAP 9 (revised)	—	—	—	—	—	—	11,904	11,904
	66,581	1,297	(36,995)	21,824	220	(583)	380,495	432,839
Exercise of share options	366	—	—	—	—	—	—	366
2000 final dividend paid	—	—	—	—	—	—	(11,904)	(11,904)
Profit for the period	—	—	—	—	—	—	28,465	28,465
At 30th June 2001	<u>66,947</u>	<u>1,297</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>397,056</u>	<u>449,766</u>
Representing:								
Reserves	66,947	1,297	(36,995)	21,824	220	(583)	397,056	449,766
2001 interim dividend proposed	—	—	—	—	—	—	(2,979)	(2,979)
At 30th June 2001	<u>66,947</u>	<u>1,297</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>394,077</u>	<u>446,787</u>

#### 13. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.



# Midland Realty (Holdings) Limited

## 2001 Interim Report

### **BUSINESS REVIEW & OUTLOOK**

#### **Business Review**

For the six months ended 30th June 2001, the Group reported turnover of HK\$454,534,000, up 35% from the same period in 2000. Profit attributable to shareholders rose 75% to HK\$28,465,000 and the basic earnings per share is HK4.78 cents. The Board of Directors is pleased to declare an interim dividend of HK0.5 cent per share.


During this reporting period, Hong Kong's prime rate was shaved five times by a total of 2.5%, which has had a positive effect on property transactions. The Land Registry registered 43,725 sale and purchase transactions in the first half, up 7.5% from the year-ago level. Especially active was the market for low-end residential units of below HK\$1 million. The number of transactions of such properties jumped 34% year-on-year. As activity picked up notably from investors and homeowners trading up, the overall market sentiment improved.

The Group was able to achieve respectable results by promoting the concept that it would be "cheaper to pay mortgage than to rent". The Group brokered 17,533 transactions in the first half, a notable increase of 32% over last year's level. Commission income also out performed the market. Operating profit rose 57% to HK\$41,328,000.

The Group also performed well in terms of sole agency arrangement, tender and auction. Having completed a number of major transactions in the hundreds-of-million-dollar range, the Group made a considerable amount in commission. In addition, the Group's Surveyors & Project Management Department conducted property valuation for candidate of initial public offerings. Backed by the approval from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for valuation, the Group was able to gain further professional recognition and increase its income streams.

Our business in the People's Republic of China ("PRC") expanded rapidly. During the reporting period, the Group obtained sole agency rights for a number of quality projects while increasing exposure in property management and consultancy service. The Group now ranks among major real estate agencies in China.

mReferral Corporation Limited ("mReferral"), a joint venture among Midland CyberNet Limited, Cheung Kong (Holdings) Limited (0001) and American Express Bank Limited, was able to gain a front-runner advantage in the mortgage broking business. In the first half, mReferral helped arrange mortgages worth over HK\$4 billion gradually gaining a leading market share to over 10%.



# Midland Realty (Holdings) Limited

## 2001 Interim Report

### **BUSINESS REVIEW & OUTLOOK**

#### **Business Plan and Outlook – Grow by Diversification Excel on Proven Strength**

In a further attempt to reduce supply, the Government announced in early September that it would halt sales of Home Ownership Scheme Units for 10 months and increase home buying loans substantially. The move is likely to have a considerable stabilizing effect on the housing market, restoring homebuyers' confidence and stimulating turnover. As China joins the World Trade Organization, we believe that property markets across both sides of the border are likely to benefit. However, any optimism is likely to be discounted by uncertainties clouding the United States and global economies and the subsequent slowdown domestically.

As it implies that competition will intensify among real estate agencies, the market will have much more room for mergers and acquisitions. We predict that 20% of real estate agents just might be forced out from the industry. The Group will continue to seek opportunity in crisis and leverage our established advantage to win more market share.

Our strategy is to ride on our diversified business model and grab every opportunity that may arise from a consolidating industry and a market turnaround. By adding revenue streams and broadening the scope of service, the Group will continue to grow and reinforce its market leader position.

#### **Invest in People to Expand**

To sharpen our competitive edge and increase market share, we shall recruit more talents into our sales force. As the largest real estate agency in Hong Kong, we have an advantage over our competitors in attracting good people. In the first half, we were successful in recruiting a number of capable and experienced sales teams from the industry. Resources will be strengthened to upgrade and update training programmes with the ultimate objective of raising the service level.

The Group has a comprehensive branch network that caters to all market segments and all districts. In terms of expansion, we shall focus on those markets of new completed projects.

#### **Stay Trim Raise Efficiency**

A number of Hong Kong companies have been migrating some production capabilities and administrative functions across the border to cut overhead expenses. The Group, in fact, has been testing the same approach – with satisfactory results. We shall keep a close tab on this development and examine more closely business on both sides of the border to arrive at a most efficient solution.

# Midland Realty (Holdings) Limited

## 2001 Interim Report

### **BUSINESS REVIEW & OUTLOOK**

#### **Stay Trim Raise Efficiency** (*continued*)

In the second half, quite a number of leases for branch premises will be up for renewal. We are hopeful that larger rental reductions be attained in upcoming negotiations.

#### **Expand Geographically to Grow Income**

Besides real estate broking in Hong Kong, the Group plans to develop further two other lines of business with high potentials.


**Mortgage Broking** – Following the dissolution of the interest rate cartel in July, banks have stepped up their scramble for mortgage business. As a result, mReferral has more room to maneuver by offering consumers myriad choices of mortgage packages. Mortgage brokers and real estate agents have a symbiotic relationship in that they must provide customers with a competitive and comprehensive package of services. It is our strategy to encourage our sales force to take more initiative, enhance the commission incentive scheme and strengthen resources at mReferral.

**The PRC Market** – China's market is expected to open in a big way following the PRC's accession to the World Trade Organization. Meanwhile, property development activities will increase as the real estate law takes shape. Taking the usual discreetly aggressive approach, the Group shall increase its investment weighting in China gradually with a view towards attaining steady earnings growth year on year. We shall continue to strengthen our business in Shenzhen, Guangzhou, Beijing and Shanghai by securing more sole agency rights for quality projects. At the same time, we shall make substantial commitment to build our business in the secondary market, marketing consultancy, leasing and sales of commercial premises and property management. To catch the full range of opportunities developing in China, we shall recruit aggressively qualified local personnel and strengthen our training program.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Liquidity, Financial Resources and Funding**

As at 30th June 2001, the Group had bank balances and cash of HK\$347,949,000, whilst bank loans and overdrafts amounted to HK\$147,743,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$307,459,000. In addition, the Group had unutilized banking facilities amounting HK\$88,391,000 from various banks. The Group's borrowings are in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group at the normal market interest rate.

The background of the top section is a yellow-tinted photograph of a modern city skyline with several skyscrapers under a bright sky. The text is overlaid on this image.

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### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **Liquidity, Financial Resources and Funding** *(continued)*

As at 30th June 2001, the gearing ratio of the Group was 29%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

#### **Capital Structure**

During the six months ended 30th June 2001, the Company granted 500,000 share options each to a director of the Company and an employee of the Group. 38,000 and 1,000,000 share options lapsed in accordance with the terms of share option scheme due to resignation of the holders and the expiry of the exercisable period respectively.

During the period, an employee of the Group exercised his share options at a subscription price of HK\$0.71 per share in accordance with the terms of the share option scheme resulting in the issue of 600,000 new shares of HK\$0.10 each.

As at 30th June 2001, 595,789,000 ordinary shares were in issue by the Company.

#### **Staff and Remuneration Policies**

As at 30th June 2001, the Group employed 2,314 full time employees of which 1,998 were sales agents and 316 were back office supportive employees.

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

#### **INTERIM DIVIDEND**

The Directors have resolved to declare an interim dividend of HK0.5 cent per share for the six months ended 30th June 2001 (six months ended 30.6.2000: HK1.0 cent). The interim dividend will be paid to shareholders of the Company whose names are recorded on the Register of Members of the Company as at the close of business on 8th October 2001. Dividend warrants will be dispatched to shareholders of the Company on or about 11th October 2001.

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### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4th October 2001 to Monday, 8th October 2001, both days inclusive, during which period no transfer of shares may be registered.

In order to qualify for the 2001 interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Abacus Share Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Wednesday, 3rd October 2001.

Registered holders of the Company's warrants who wish to exercise their subscription rights attaching to their warrants so as to participate in the 2001 interim dividend should complete and sign the subscription forms and lodge the same together with the relevant warrant certificates and the appropriate subscription moneys with the Company's Warrant Registrar at the above address not later than 4:00 p.m. on Wednesday, 3rd October 2001.

### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 30th June 2001 the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

#### 1. Interests in Share Capital

	Number of ordinary shares of HK\$0.10 each in the Company beneficially held		Percentage of holding
	Personal interests	Corporate interests	
Mr WONG Kin Yip, Freddie	12,500,000 ( <i>note (a)</i> ) 15,898,000	162,500,000 ( <i>note (b)</i> )	32.04%
Ms IP Kit Yee, Kitty	310,000	–	0.05%
Mr CHEUNG Kam Shing	500,000	–	0.08%

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### DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

#### 1. Interests in Share Capital *(continued)*

*Note:*

- (a) These shares are held by Sunluck Services Limited in trust for Mr WONG Kin Yip, Freddie.
- (b) These shares are owned by Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.

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

#### 2. Interests in Share Options

Particulars and movements of share options held by directors are as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2001	Options granted during the period	Options lapsed during the period	Balance outstanding as at 30th June 2001	Exercisable period
Mr WONG Kin Yip, Freddie	15th May 2000	0.5312	1,300,000	-	-	1,300,000	15th May 2000 to 15th May 2003
Ms IP Kit Yee, Kitty	13th May 1997	2.91	500,000	-	500,000	-	13th May 1998 to 13th May 2001
	13th May 1997	2.91	500,000	-	-	500,000	13th May 1999 to 13th May 2002
	14th May 2001	0.5088	-	250,000	-	250,000	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	-	250,000	-	250,000	14th May 2003 to 14th May 2006
Mr CHEUNG Kam Shing	18th October 1996	1.44	850,000	-	-	850,000	18th October 1998 to 18th October 2001
	19th October 2000	0.496	412,500	-	-	412,500	19th October 2001 to 19th October 2004
	19th October 2000	0.496	412,500	-	-	412,500	19th October 2002 to 19th October 2005
<b>Total</b>			<u>3,975,000</u>	<u>500,000</u>	<u>500,000</u>	<u>3,975,000</u>	

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

#### **2. Interests in Share Options** *(continued)*

There was no share options exercised by the directors in accordance with the terms of the share option scheme of the Company during the six months ended 30th June 2001.

### **SUBSTANTIAL SHAREHOLDERS**

At 30th June 2001, the register of the substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than that of a director as disclosed above.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 30th June 2001, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

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

Throughout the six months ended 30th June 2001, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules 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 By-laws of the Company, all directors except the chairman of the Board and/or the managing director of the Company will retire at each annual general meeting 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.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2001 with the directors.

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### **PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE**

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.midland.com.hk](http://www.midland.com.hk) as soon as practicable.

### **ACKNOWLEDGEMENT**

With respectable results, we have sound reasons to view our future optimistically. Key to this success is our workforce, which is constantly in search of excellence. On behalf of the Directors, I take this occasion to thank deeply the shareholders for their unquestionable support, and the staff for their tireless aptitude, devotion and commitment to serve.

On behalf of the Board  
**WONG Kin Yip, Freddie**  
*Chairman and Managing Director*

Hong Kong, 17th September 2001