

# STRIKE FOR THE SUMMIT



## 2004 Annual Report



Midland Realty (Holdings) Ltd.  
▶ Incorporated in Bermuda with limited liability ◀



愛心 關懷  
惠顧美聯 即做善事



唯一獲委任“超級品牌”地產代理

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

<b>2</b>	<b>Corporate Information</b>
<b>3</b>	<b>Key Financial Highlights</b>
<b>5</b>	<b>Notice of Annual General Meeting</b>
<b>6</b>	<b>Chairman's Statement</b>
<b>13</b>	<b>Management Discussion and Analysis</b>
<b>15</b>	<b>Report of the Directors</b>
<b>26</b>	<b>Auditors' Report</b>
<b>27</b>	<b>Consolidated Profit and Loss Account</b>
<b>28</b>	<b>Consolidated Balance Sheet</b>
<b>29</b>	<b>Balance Sheet</b>
<b>30</b>	<b>Consolidated Cash Flow Statement</b>
<b>32</b>	<b>Consolidated Statement of Changes in Equity</b>
<b>33</b>	<b>Notes to the Accounts</b>
<b>74</b>	<b>List of Investment Properties</b>
<b>75</b>	<b>Investor Relations</b>
<b>76</b>	<b>Glossary</b>

## Corporate Information

### ◆ DIRECTORS

#### *Executive Directors*

Mr WONG Kin Yip, Freddie  
(*Chairman and Managing Director*)  
Mr CHEUNG Kam Shing (*Deputy Chairman*)  
Ms LAM Fung Fong  
Mr CHAN Kwan Hing  
Mr KWOK Ying Lung

#### *Independent Non-executive Directors*

Mr KOO Fook Sun, Louis  
Mr SUN Tak Chiu  
Mr WANG Ching Miao, Wilson

### ◆ AUDIT COMMITTEE

Mr KOO Fook Sun, Louis (*Chairman*)  
Mr SUN Tak Chiu  
Mr WANG Ching Miao, Wilson

### ◆ REMUNERATION COMMITTEE

Mr WONG Kin Yip, Freddie (*Chairman*)  
Ms LAM Fung Fong  
Mr KOO Fook Sun, Louis  
Mr SUN Tak Chiu  
Mr WANG Ching Miao, Wilson

### ◆ NOMINATION COMMITTEE

Mr WONG Kin Yip, Freddie (*Chairman*)  
Ms LAM Fung Fong  
Mr KOO Fook Sun, Louis  
Mr SUN Tak Chiu  
Mr WANG Ching Miao, Wilson

### ◆ COMPANY SECRETARY

Mr CHAN Kin Chu, Harry

### ◆ 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

International Bank of Asia Limited  
Standard Bank Asia Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### ◆ HONG KONG LEGAL ADVISERS

Iu, Lai & Li  
20th Floor  
Gloucester Tower  
The Landmark  
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 Fund Services (Bermuda) Limited  
Rosebank Centre  
14 Bermudiana Road  
Pembroke Bermuda

### ◆ HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### ◆ WEBSITE

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

### ◆ STOCK CODE

1200

# Key Financial Highlights

- Group turnover rose 68% to HK\$1,987 million (2003: HK\$1,180 million)
- Operating profit grew 179% to HK\$421 million (2003: HK\$151 million)
- Profit attributable to Shareholders up 191% to HK\$357 million (2003: HK\$123 million)
- Basic earnings per share of HK50.7 cents, up 185% (2003: HK17.8 cents)
- Final dividend of HK\$0.123 per ordinary share; total dividend of HK\$0.193 per ordinary share, up 197% (2003: total dividend: HK\$0.065 per ordinary share)
- Operating profit margin: 21.20% (2003: 12.8%)
- Return on average Shareholders' funds of 50.9% (2003: 24.4%)

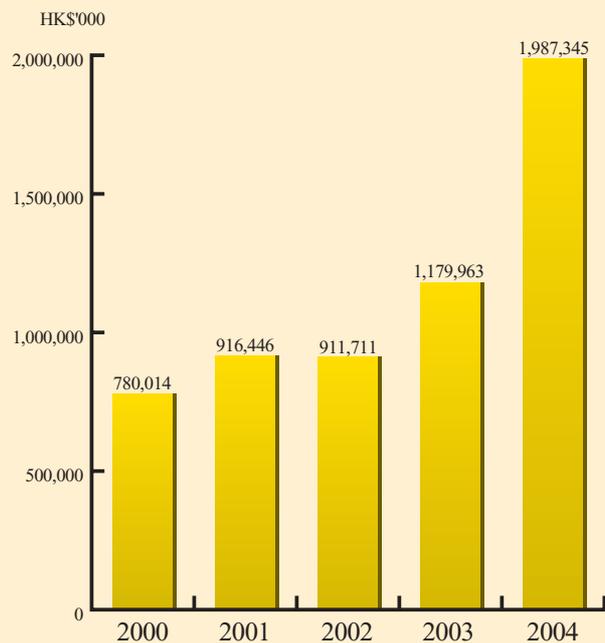
## Five Year Financial Summary

	Year ended 31st December				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	780,014	916,446	911,711	1,179,963	1,987,345
Operating profit/(loss)	82,366	62,465	(68,220)	150,811	421,427
Profit/(loss) attributable to Shareholders	53,290	40,967	(73,725)	122,749	357,238
Total assets	945,303	952,109	703,690	1,013,415	1,487,934
Total liabilities	436,468	415,042	255,110	441,916	648,160
Minority interests	16,477	18,248	6,405	8,355	–
Net assets	492,358	518,819	442,175	563,144	839,774
Basic earnings/(loss) per share	HK8.97 cents	HK6.88 cents	HK(12.30) cents	HK17.80 cents	HK50.70 cents

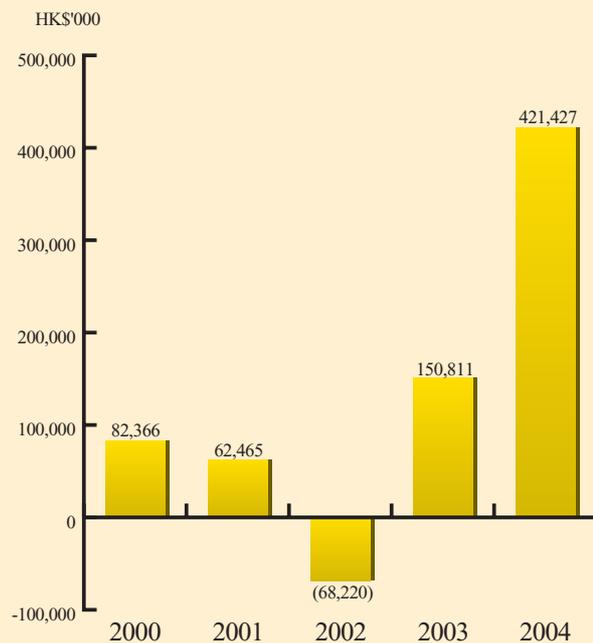
# STRIKE FOR THE SUMMIT

## Key Financial Highlights

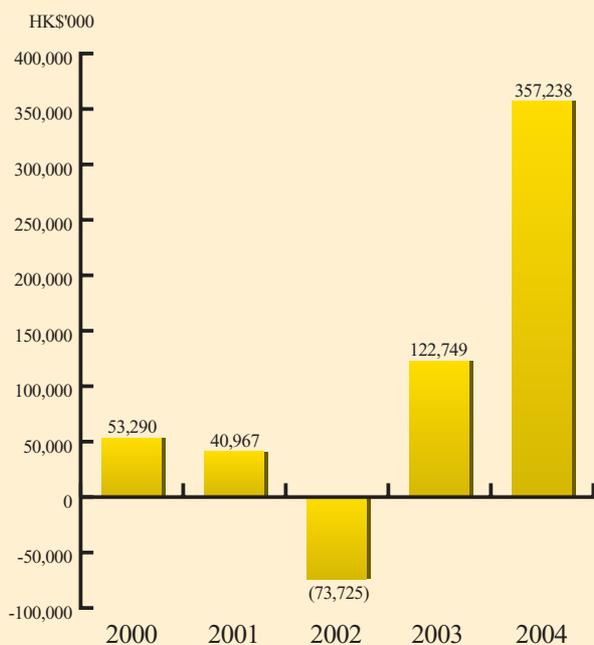
### TURNOVER



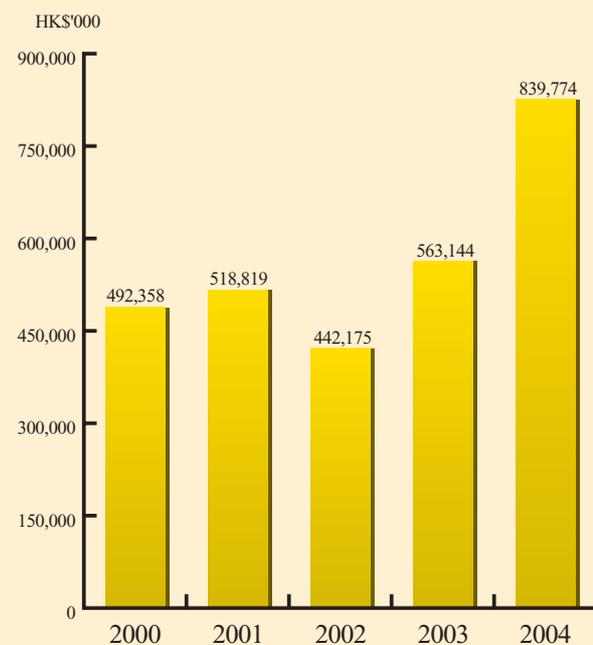
### OPERATING PROFIT/(LOSS)



### PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS



### NET ASSETS



# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Midland Realty (Holdings) Limited (the “Company”) will be held at Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong on 15th April 2005 at 11:00 a.m. for the following purposes:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31st December 2004;
2. To declare a final dividend;
3. To re-elect Directors and to fix the Directors’ remuneration; and
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

By order of the Board  
**CHAN Kin Chu, Harry**  
*Company Secretary*

Hong Kong, 10th March 2005

*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 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 Share Registrar, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, together with a power of attorney or other attorney, if any, under which it is signed or a notariably 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 Monday, 11th April 2005 to Friday, 15th April 2005 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 Share Registrar, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 8th April 2005.

## Chairman's Statement



**WONG Kin Yip, Freddie**  
*Chairman and Managing Director*

### Review

The Group enjoyed robust performance in 2004, breaking financial records across the board. More than the revival of the secondary property market, financial strength was boosted by our forward-thinking corporate culture and effective marketing strategies. For the financial year ended 31st December 2004, net profit attributable to Shareholders rose 191% to HK\$357 million on a 68% surge in revenue to HK\$1.987 billion.

### Trading-up of homes lift sales

In 2004, the property market enjoyed its biggest boom since 1997. Drawn by a series of positive developments – including the resumption of land sales, the elimination of rental controls and the raising of the mortgage ceiling to 95% – property sales surged higher in two successive upward

cycles. For the full year, resale property prices climbed an average of nearly 30% after consolidating over two or three intervals. The year also saw over 120,000 properties changing hands on a total value of HK\$351.8 billion, the highest level since 1998.

Records at the *Land Registry* show 25,874 first-hand residential properties sold in 2004 and 76,668 transactions in the secondary market. The uptrend in resale activities was surely more definite. A breakdown of the Group's commission income shows the secondary-market income rising from 37% of total income in 2003 to 62% in 2004. This goes to show the secondary market's increasingly significant contribution to the Group's income structure.

### Board revamped to ride upturn, stay at the top

To catch the upturn of an economic recovery, the Group increased the number of branches by 64% from 214 to 350 during the year. At the same time, the number of staff soared more than 50% from 3,700 to 5,700. Both the size of the branch network and that of the staff hit record high.

The Group had adopted a proactive approach by way of corporate strategy. Besides continuing to raise brand awareness through advertising and promotion, we also restructured management to sharpen our competitive edge.

To revitalize management mentality and strengthen sales initiatives at the district level so that we follow more closely market trends, the Group's management team was restructured last year. In the process, the Board was shifted from a "defensive" to "offensive" mode, reinforcing further the corporate culture of being innovative. Following the restructuring, the Group was able to score success with a number of income streams, including winning the gold award as *Henderson Land Development's* sales agent.



*Henderson Land Development Chairman Dr Lee Shau Kee awards Midland Realty with a gold plaque to commemorate the latter's record-breaking efforts with the marketing of units at a number of Henderson's brand new residential developments.*

### **Macau business recorded slight profit**

In our efforts to diversify, we leveraged on our solid base in Hong Kong and extended our presence to Macau at the end of June last year. We successfully brought to Macau the Midland Realty management technology and corporate culture, thus helping to shift higher the gear of its economic boom. In our view, our entry to Macau has had the effect of stimulating property transactions, introducing order, equity, openness and integrity to the property market there. Our presence in Macau will help the Group integrating market activities in the Pearl River Delta. In just over half a year, we increased our Macau network to five outlets. Both the pace of development and bottom-line contribution of our Macau business are satisfactory.



*Several experienced employees were promoted to CEO grades as part of an ongoing programme to strengthen management.*

# STRIKE FOR THE SUMMIT

## Chairman's Statement



The Group entered Macau by setting up a network there in 2004.

### Income streams diversified

From its core real estate business, the Group first tried diversification by forming *mReferral*, a joint venture with *Cheung Kong Holdings* and *American Express Bank*. *mReferral* offers the property-buying customers free mortgage referral service and access to the most update mortgage information. Last year, we further launched

*Midland Wealth Management* to offer customers a comprehensive range of wealth management services, including, offshore savings plan, general and life insurance products, employee benefit schemes, personal financial planning, the Mandatory Provident Fund and other related services.

### Ahead with talent recruitment, development in competitive environment

Records at the Estate Agents Authority show that, as of 31st January 2005, Hong Kong had 18,280 licensed real estate agents, up 24% from 14,746 a year ago. Meantime, the number of the licenses for Shops grew to 3,166. Our reputation as an industry leader with comprehensive support, coupled with the regulatory climate requiring higher professional standards, has given us a competitive edge in attracting a large number of those seeking to enter this industry or to change agency allegiance.



With a large number of department heads breaking the HK\$10 million sales record, the Group founded the Ten-million-dollar Round Table Club to give credit where credit is due.

## Caring corporate citizen

The Group has spared no effort in promoting social welfare. We became a forerunner in charity work. Midland Charitable Foundation which was set up last year holds in trust a fraction (0.1%) of the Group's resale commission income for the needy. When the tsunami struck Southeast Asia at the end of last year, we initiated a drive for donations in the name of the foundation and channel the donations through a host of non-government organizations, namely, the *Hong Kong Red Cross*, *World Vision Hong Kong*, *Oxfam*, the *United Nations' Children's Fund*, and the *Salvation Army – Hong Kong and Macau Command*. By donating to some domestic charity organizations, our foundation also helps other needy persons in Hong Kong. We have been recognized for our efforts in charity. Last year, for the second year in a row, the Group was given the award as a "Caring Company." Our objective is to work with more charity organizations to return to society part of the gains we reap.



Those in management participate eagerly and regularly in charity work sponsored by the Group.



The Group is a forerunner with charity work, giving back to society some of its fruits of labor.

### Outlook

#### Volume and value to rise in property market

Quality, higher-end properties in the luxury residential sector, retail sector and grade-A office sector have been the main driver behind the current rebound. Recently, the upturn appears to be spreading to the mass residential sector as well. If the overall economy continues to improve and consumer confidence strengthens, then we can look forward to a 10% year-on-year increase in the buy-sell volume to 135,000 transactions this year. In value, sales are likely to breach HK\$400 billion.

Depending on the type of property, we forecast that home prices will rise by 15%. We also may find a few record-breaking transactions in the luxury residential sector. Meanwhile, residential rental rates may go up by 10% and more. In the commercial real estate sector, the shortage of supply will accentuate. We are of the opinion that the rental rates for office units and retail space have room to move up by another 20%. The overall upturn in properties surely will benefit the Group and ring in a bumper year for the real estate broking industry.

A large number of homeowners holding assets below their home's purchase value had been the biggest bane for the property market in the past few years. But the negative-asset problem is expected dissipate this year, helping revitalize the resale home market.



*Market intelligence reports are distributed regularly to keep customers and the general public informed of trends and conditions.*

On the rental front, rents for properties across the board rose in 2004 from the year before. We project that rental rates will soar even more in 2005, stimulating more rental activities and indirectly encouraging more investors to buy properties for longer-term yields.

#### Share of resale market is expected to rise

The government looks set to keep land prices high, so developers have been more aggressive with pricing their new projects. This has had the effect of raising the competitive advantage of the secondary properties.

In this light, developers will be firm with pricing new projects and drive primary-market home prices above the resale levels. This, in turn, will shift more buying power to the secondary market, giving it a positive boost. Backed by upgrading of residential properties, growth in resale activities are likely to exceed that of sales of brand new units this year.

#### Market to be boosted by user-driven sales

Despite of a number of high-profile investor-led transactions last year, we believe that end-users still drive the market and that speculative activities are at an acceptable harmless level. If the US maintains an upward interest rate cycle, then Hong Kong will be under pressure to follow suit eventually. On the other hand, local interest rates are still at low levels, mild increase in interest rate can make the property market healthier.

#### Manage risks with prudence, expand with caution

Even before the market turnaround set in last year, the Group had the foresight to expand aggressively. We did so by opening flagship stores to cover all potentially key and strategic locations. Now the number of outlets at Midland Realty is at an



*The Hong Kong Estate Agents Award Presentation is the first official accreditation for outstanding performers in the Group. In recognition of the painstaking objective behind the event, a number of major developers pitched in as co-sponsors.*

all-time high. Having thus extended our coverage to virtually all key locations, we shall direct more of our efforts to managing risk, slow the pace of expansion and reduce capital expenditure this year. Any further expansion will be in response to market opportunities, possibly in emerging townships and newly developed districts, and for the purpose of maintaining our network advantage.

### **Competition stays keen**

The Group believes that while the property market will continue its uptrend in 2005, competition will intensify. Large real estate agencies will step up their branch expansion. The number of agencies also will increase. However, new entrants mainly will be small and operate with a distinctly different modus operandi from established industry leaders. Their market positioning also will be different.

Given that resale activities will drive the market, we shall allocate more resources to secondary-market sales in 2005. At the same time, however, we shall continue to participate in marketing brand new homes, keeping a close watch on developers, their launch schedule and commission payout.

### **Keep tight cost control**

As the market heats up, our overhead costs will rise proportionally. Governed by a prudent risk-management policy, management shall keep track of cost control while maintaining its competitive edges and flexibility. For instance, to counter whopping rental rate increases, we shall pull out of certain retail locations and move to shops that offer more reasonable rents. This way, we shall be able to reduce our overhead costs. In terms of staff remunerations, we shall continue to use bonus and special payouts to award outstanding performers.

## Chairman's Statement

### Strengthen branding to raise consumer confidence

The Group is committed to building brand awareness and raising its image. To this end, it held various promotional activities, the most high profile of which was the sponsorship of the "Midland Realty Cup" horse race at the *Hong Kong Jockey Club* last year. Recognizing how such activities reinforce the company's public image and increase its market share, the Group will repeat the horse racing sponsorship later this year.

In an effort to further reinforce branding, the Group won accreditation from the *Federation of Hong Kong Industries' Hong Kong Q-mark Council* under the Hong Kong Q-mark Service Scheme. Meanwhile, it was named a Superbrands and a Caring Company, winning commendation from various community quarters. The Group will

continue to promote brand recognition and hope to instill more confidence in potential and existing customers.

### On the alert for opportunities

Undoubtedly, the Group maintains an optimistic on the business environment. But we also notice that the industry is faced with some challenges, such as interest rate hikes and rising operating costs. The Group shall stay committed to keep costs at a reasonable level and will ride on the favorable housing policies and the market upturn to set new records.

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

Hong Kong, 10th March 2005



Following the success of the Midland Realty Cup horse race, the Group will sponsor another such event at the Hong Kong Jockey Club in 2005.

# Management Discussion and Analysis

## Liquidity, financial resources and funding

As at 31st December 2004, the Group had bank balances and cash of HK\$405,823,000, whilst bank loans and overdrafts amounted to HK\$55,583,000. 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\$185,950,000 and with maturity profile set out as follows:

Repayable	HK\$ '000
Within 1 year	24,459
After 1 year but within 2 years	11,737
After 2 years but within 5 years	8,669
Over 5 years	10,718

The Group had unutilised banking facilities amounting to HK\$168,263,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollars and United States Dollars, and the Group's borrowings are in Hong Kong Dollars. Therefore the directors consider there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2004, the gearing ratio of the Group was 7%. The gearing ratio is computed on the basis of total bank borrowings divided by the Shareholders' funds of the Group.

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

## Acquisition and investment

During the period from January to February 2004, the Company further acquired 66,258,000 shares of Chun Wo Holdings Limited ("Chun Wo"), a company incorporated in Bermuda and listed on the Stock Exchange for a total consideration including expenses of HK\$72,443,244. In October 2004, the Company disposed of an aggregate of 21,174,000 shares of Chun Wo for an aggregate consideration of HK\$26,827,480. As at 31st December 2004, the Group held in aggregate 52,748,000 shares of Chun Wo, representing approximately 7.19% of issued capital of Chun Wo.

## Contingent liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

## Human Resources

As at 31st December 2004, the Group employed 5,685 full time employees of which 5,018 were sales agents and 667 were back office supporting employees. 4,095 employees were based in Hong Kong and 1,590 were located in the Mainland China and Macau.

## Management Discussion and Analysis

### **Human Resources** *(continued)*

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits for both the directors and employees. On staff development, both in-house and external training and development programmes are conducted on a regular basis. The Group is committed to provide excellent professional training to our staff in order to enhance the Group's professional image and competitive edge. Great emphasis is placed on training and staff development.

### **Subsequent events**

Pursuant to the subscription agreement ("Subscription Agreement") entered into on 25th January 2005 between, inter alia, the Company and EVI Education Asia Limited ("EVI"), a company incorporated in Cayman Islands and listed on the Growth Enterprise Market operated by the Stock Exchange, the Group had conditionally agreed to subscribe for 4,300 million new shares of HK\$0.01 each in the capital of EVI at the price of HK\$0.025 each. The total consideration amounts to HK\$107.5 million which will be satisfied by the internal resources of the Group.

The 4,300 million new EVI shares represent approximately 107.5% of the issued share capital of EVI as at 26th January 2005, or approximately 51.81% of the issued share capital of EVI as enlarged by the subscription. Up to the date of this report, the major conditions precedent of the completion of Subscription Agreement have been fulfilled. The directors anticipate that the subscription will be completed in March 2005, upon which, EVI will become a subsidiary to the Group.

# Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31st December 2004.

## Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 32 to the accounts.

An analysis of the Group's performance for the year by business segments is set out in note 2 to the accounts.

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 of the Group for the year are set out in the consolidated profit and loss account on page 27.

The directors have declared an interim dividend of HK\$0.07 per ordinary share, totalling HK\$49,307,000 was paid on 15th October 2004.

The directors recommend the payment of a final dividend of HK\$0.123 per ordinary share to Shareholders whose names appear on the register of members of the Company on 15th April 2005. Taking into account of the interim dividend payment, total dividends for the year would amount to HK\$135,947,000, an increase of 197 percent over HK\$45,767,000 of last year. The final dividend will be paid on or before 20th April 2005.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$1,545,000.

## Fixed assets

Details of the movements in fixed assets of the Group are set out in note 13 to the accounts.

## Investment properties

Details of the principal properties held for investment purposes are set out on page 74.

## 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 21 to the accounts.

## Distributable reserves

At 31st December 2004, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$160,325,000.

## 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 3.

## Purchase, sale or redemption of shares

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

## Report of the Directors

### Directors

The directors during the year were:

### Executive Directors

Mr WONG Kin Yip, Freddie

Mr CHEUNG Kam Shing

Ms LAM Fung Fong

Mr CHAN Kwan Hing

(appointed on 24th September 2004)

Mr KWOK Ying Lung

(appointed on 24th September 2004)

Ms IP Kit Yee, Kitty

(resigned on 24th September 2004)

### Independent Non-executive Directors

Mr KOO Fook Sun, Louis<sup>1</sup>

(appointed on 24th September 2004)

Mr SUN Tak Chiu<sup>1</sup>

(appointed on 24th September 2004)

Mr WANG Ching Miao, Wilson<sup>1</sup>

(appointed on 24th September 2004)

Mr CHUNG Kam Wing, Calvin<sup>2</sup>

(resigned on 24th September 2004)

Mr KAN Chung Nin, Tony

(resigned on 24th September 2004)

Mr LAI Dominic<sup>3</sup>

(resigned on 24th September 2004)

Mr AU Son Yiu<sup>4</sup>

(resigned on 19th August 2004)

1 appointed as members of audit committee on 24th September 2004

2 resigned as member of audit committee on 24th September 2004

3 appointed as and resigned as member of audit committee on 19th August and 24th September 2004 respectively

4 resigned as member of audit committee on 19th August 2004

Mr Cheung Kam Shing and Ms Lam Fung Fong shall retire by rotation in accordance with bye-law 87 of the Company's Bye-laws. Both retiring directors, being eligible, will offer themselves for re-election.

Messrs Chan Kwan Hing, Kwok Ying Lung, Koo Fook Sun, Louis, Sun Tak Chiu and Wang Ching Miao, Wilson shall retire in accordance with bye-law 86(2) of the Company's Bye-laws. All retiring directors, being eligible, will offer themselves for re-election.

Pursuant to the Company's Bye-laws, all directors, except the chairman of the Board and/or the managing director of the Company, are subject to retirement by rotation.

Each of the independent non-executive director has entered into a service contract with the Company for a term of one year.

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

### Directors' service contracts

On 5th May 2001, Mr Wong Kin Yip, Freddie entered into a service agreement with the Company for a period of 5 years from 1st May 2001 to 30th April 2006.

None of the directors who are proposed for re-election at the forthcoming AGM 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 55, is the Founder and Chairman of the Company. He established the Company in 1973 and is responsible for the overall corporate direction, corporate strategy and policy making of the Group. Mr Wong has more than 32 years of experience in the real estate broking business in overseas, China and Hong Kong. He has been the chairman of the Board of the Company since 1993. He is also a director of Sunluck Services Limited and Southern Field Trading Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

**Mr CHEUNG Kam Shing**, aged 41, has been appointed as the Executive Director of the Company since June 1998. He has extensive experience in real estate broking and marketing. With his many years of experience, Mr Cheung is participating in the formulation of policy and strategy of the Group, and is responsible for the Group's overall strategic sales and marketing plan in market. Mr Cheung has served the Group for 18 years and was appointed as Deputy Chairman of the Company in June 2001.

**Ms LAM Fung Fong**, aged 43, has been appointed as the Executive Director of the Company since January 2002. She has over 19 years of experience in accounting and finance. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is currently in charge of the overall financial and accounting, legal, company secretarial and property administration functions of the Group. Ms Lam joined the Group in 1995.

**Mr CHAN Kwan Hing**, aged 41, has been appointed as the Executive Director of the Company since September 2004. He has over 19 years of experience in the real estate agency business. Mr Chan joined the Group in 1991 and is the Chief Executive Officer of the Group's residential property division in Hong Kong. Mr Chan is responsible for formulating strategy and overseeing the operation of the division dealing with residential property agency business in Hong Kong.

**Mr KWOK Ying Lung**, aged 41, has been appointed as the Executive Director of the Company since September 2004. He has over 19 years of experience in the real estate agency business, particularly in the property agency business in the Mainland China and non-residential property agency business, including industrial, office and retail properties in Hong Kong. Mr Kwok joined the Group in 1988 and is the Chief Executive Officer of the Group's China division. He is responsible for the strategic management, marketing management and sales force management of the China division. He is also an adviser on the Group's non-residential property agency business in Hong Kong.

### Independent Non-executive Directors

**Mr KOO Fook Sun, Louis**, aged 48, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Koo is also the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr Koo has many years of experience in investment banking and professional accounting. He was the managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a main board listed company. He currently also serves as an independent non-executive director of another two companies listed on the main board. Mr Koo graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr Koo has also been appointed as a member of the Audit Committee of the Company since September 2004.

## Report of the Directors

### **Biographical details of directors and senior management** *(continued)*

**Mr SUN Tak Chiu**, aged 41, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Sun has over 18 years of experience in the fields of accounting, securities industries and corporate finance. Mr Sun holds a bachelor's degree in laws and a master degree in business administration and is a director of an investment advisory company licensed with the Securities and Futures Commission in Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute. Mr Sun has also been appointed as a member of the Audit Committee of the Company since September 2004.

**Mr WANG Ching Miao, Wilson**, aged 43, has been appointed as the Independent Non-executive Director of the Company since September 2004. Mr Wang has over 15 years of experience in the field of optical products manufacturing. Mr Wang is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing. Mr Wang has also been appointed as a member of the Audit Committee of the Company since September 2004.

### **Senior Management**

**Ms IP Kit Yee, Kitty**, aged 44, has been appointed as the Managing Director (corporate affairs) of the Group since September 2004 and was appointed as the Executive Director of the Company in October 1993. She is responsible for overall corporate affairs, management and administrative functions of the Group. She is also participating in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms Ip has many years of experience in property administration and real estate broking and marketing in Hong Kong and the Mainland China.

In 2002, she participated in the establishment of the Group's franchise operation in the Mainland China. She has been in charge in all aspects of the training of the Group and established Midland Campus which is a renowned training center in the field of real estate agency.

**Mr CHAN Kin Chu, Harry**, aged 35, is the Company Secretary of the Company and is responsible for overseeing legal and compliance functions of the Group. He also participated in the business development work of the Group. Mr Chan graduated at The University of Hong Kong with a Bachelor of Laws degree. He also obtained the Second Bachelor Degree in Chinese Law of Tsinghua University, PRC; and a Master of Laws degree of The University of London, UK. He is admitted to the High Court of Hong Kong SAR to practice law in Hong Kong. Before joining legal profession, he had been working with the sales and marketing arms of a sizeable property developer where he was engaged in property development and property management activities. Mr Chan joined the Group in February 2000.

**Mr WU Yat Fat, Fredy**, aged 44, has been appointed as the Chief Executive Officer of Hong Kong Property Services (Agency) Limited, a wholly owned subsidiary of the Company, since October 2004 and was appointed as its Sales Director in May 2002. Mr Wu is currently responsible for overseeing the operation of the divisions dealing with property broking in Hong Kong Property Services (Agency) Limited. He has broad experience in dealing with property broking. Mr Wu has served the Group for seven years.

**Mr WONG Tsz Wa**, aged 41, has been appointed as the Chief Executive Officer (IC&I) of the Group since September 2004. He is currently responsible for overseeing the divisions dealing with non-residential property broking including industrial, office and retail properties in Hong Kong. He has broad experience in dealing with property broking. He joined the Group in September 1993.

## Directors' interests in contracts

No contracts of significance in relation to the Group'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

As at 31st December 2004, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

	Personal interests	Number of ordinary shares held			Total	Percentage of shareholding
		Corporate interests	Family interests			
Mr WONG Kin Yip, Freddie	29,636,000 (note (a))	117,104,000 (note (b))	–	146,740,000	20.83%	
Mr CHEUNG Kam Shing	321,000 (note (c))	–	–	321,000	0.05%	
Ms LAM Fung Fong	575,000 (note (d))	–	225,000 (note (e))	800,000	0.11%	

*Notes:*

- (a) These shares are held by Mr WONG Kin Yip, Freddie as beneficial owner.
- (b) These shares are owned by Sunluck Services Limited, a private company controlled by Mr WONG Kin Yip, Freddie through Southern Field Trading Limited.
- (c) These shares are held by Mr CHEUNG Kam Shing as beneficial owner.
- (d) These shares are held by Ms LAM Fung Fong as beneficial owner.
- (e) These shares are held by the spouse of Ms LAM Fung Fong.

## Report of the Directors

### **Directors' interests in equity or debt securities** *(continued)*

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, at as 31st December 2004, none of the directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

### **Share option scheme**

The Company adopted the 1995 Share Option Scheme on 12th May 1995. The 1995 Share Option Scheme was terminated on 30th April 2002 without prejudice to the rights and benefits of and attached to those options granted thereunder which were outstanding as at 30th April 2002.

At the special general meeting of the Company held on 30th April 2002, an ordinary resolution was duly passed under which the 2002 Share Option Scheme was adopted and approved by the Shareholders of the Company. A summary of the 2002 Share Option Scheme is as follows:

#### **(1) Purpose**

The principal purposes of the 2002 Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity"), to recognise the significant contribution of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

#### **(2) Eligible persons**

- (i) any employee (whether full or part time and including executive director) of any member(s) of the Group or any Invested Entity; or
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; or
- (iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

## Share option scheme (continued)

**(3) Total number of shares available for issue**

Total number of shares available for issue are 59,618,900, representing approximately 8.46% of the issued share capital of the Company as at the date of this report.

**(4) Maximum entitlement of each eligible person**

The maximum number of shares issued and to be issued upon exercise of options granted under the 2002 Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options), in any 12-month period must not exceed 1% of the shares in issue.

**(5) Time of exercise of option**

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the directors to each eligible person who accepts an offer in accordance with the terms of the 2002 Share Option Scheme, provided that it shall commence on a date not be more than ten years from the date of grant.

**(6) Acceptance of offer**

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

**(7) Basis of determining the subscription price**

The subscription price under the 2002 Share Option Scheme shall be a price determined by the directors at its absolute discretion and shall be no less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a share.

**(8) The remaining life of the 2002 Share Option Scheme**

The 2002 Share Option Scheme became effective on 30th April 2002 and, unless otherwise amended or altered, will remain in force for a period of ten years from that date.

# STRIKE FOR THE SUMMIT

## Report of the Directors

### Share option scheme (continued)

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 schemes. Particulars and movements of share options outstanding during the year under the 1995 Share Option Scheme are as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2004	Options exercised during the year	Balance outstanding as at 31st December 2004	Exercisable period
<b>Directors</b>						
Ms LAM Fung Fong	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 KWOK Ying Lung <sup>1</sup>	17th February 2000	0.71	150,000	150,000	–	17th February 2001 to 17th February 2004
	17th February 2000	0.71	150,000	150,000	–	17th February 2002 to 17th February 2005
Ms IP Kit Yee, Kitty <sup>2</sup>	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
<b>Total for directors</b>			<b>1,300,000</b>	<b>1,300,000</b>	<b>–</b>	

*Notes:*

1. The relevant director was appointed as an Executive Director of the Company on 24th September 2004.
2. The relevant director resigned as an Executive Director of the Company on 24th September 2004.
3. No Share option lapsed during the year.
4. The weighted average closing price of the shares immediately before the dates on which the options were exercised is HK\$3.125.

The power of grant of options to executive directors is vested in the Remuneration Committee and otherwise pursuant to Listing Rules requirements.

## Interests of other persons discloseable under the SFO

As at 31st December 2004, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the directors or chief executive of the Company, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Number of shares	Capacity	Percentage of shareholding
Sunluck Services Limited	117,104,000	Beneficial owner	16.62% (note (a))
Southern Field Trading Limited	117,104,000	Corporation	16.62% (note (a))
Universities Superannuation Scheme Limited	37,950,000	Trustee	5.39%
J.P. Morgan Chase & Co.	46,078,982 3,200,000	Lending pool Investment manager	7.00%

*Notes:*

(a) These shares represent the same block of shares. Sunluck Services Limited is a wholly owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr WONG Kin Yip, Freddie in the Company.

All the interests disclosed above (save and except those 46,078,982 shares held by J.P. Morgan Chase & Co. in a lending pool) represent long position in the shares of the Company.

## Subsequent events

Details of the subsequent events of the Company are set out in note 30 to the accounts.

## Report of the Directors

### 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. Sales to the five largest customers accounted less than 30% of the total sales for the year.

### Retirement scheme

Details of the Company's retirement scheme are set out in note 10 to the accounts.

### Principal subsidiaries and jointly controlled entities

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2004 are set out in note 32 to the accounts.

### Bank loans, overdrafts and other borrowings

An analysis of bank loans and overdrafts at 31st December 2004 is set out in note 23 to the accounts. Apart from the above, the Group has no other borrowings at 31st December 2004.

### Emolument Policy

The emoluments of the directors of the Company are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs, the Company's performance and the Company's remuneration policy.

### Statement of Corporate Governance Policy

The Board is strongly committed to enhancing corporate governance. The Board aims to continually review and enhance corporate governance practices of the Group.

As part of that commitment, three independent non-executive directors have been appointed during the year. In addition, two new independent committees known as Remuneration Committee and Nomination Committee have been set up to monitor the Group's development in respective area.

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules on the Stock Exchange, save and except that the predecessor independent non-executive directors were not appointed for a specific term of office but were subject to retirement by rotation and re-election at each annual general meeting in accordance with by-law 87(1) and 87(2) of the Company's Bye-laws.

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of all directors of the Company, all directors confirmed they had complied with the required standard set out in the Model Code.

### Board Effectiveness and Board/ Management Relationship

The principal function of the Board is to formulate strategy and to monitor and control operating and financial performance in pursuit of Group strategic objectives. The Board's role is not to manage the business which responsibility remains vested with management. The Board is responsible for overseeing the processes that management has in place to identify business opportunities and risks.

## Specialised Committees of the Board

Three specialised committees have been set up under the Board, each with particularly defined terms of reference to monitor specific areas of the Company's business.

### Audit Committee

Established in 1998 in line with the best practices in corporate governance with its terms of reference prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKICPA, the Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. The principal duties of the Committee include the review and supervision of the Company's financial reporting process and internal controls. The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with the management the internal control, auditing and financial reporting matters in respect of this annual report including review of the audited accounts of the Group for the year ended 31st December 2004.

### Remuneration Committee

The Remuneration Committee of the Group has been established on 10th March 2005. The function of the Committee is to consider and recommend to the Board the Group's remuneration policy and structure and to review and determine the remuneration of the executive directors and senior management.

The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson, and two executive directors namely Mr Wong Kin Yip, Freddie and Ms Lam Fung Fong.

### Nomination Committee

The Nomination Committee of the Group has been established on 10th March 2005. The function of the Committee is to, having regard to the independence and quality of nominees, make recommendations to the Board so as to ensure that all nominations are fair and transparent.

The Committee comprises three independent non-executive directors, namely Mr Koo Fook Sun, Louis, Mr Sun Tak Chiu and Mr Wang Ching Miao, Wilson, and two executive directors namely Mr Wong Kin Yip, Freddie and Ms Lam Fung Fong.

### Directors' interest in competing business

None of directors have an interest in any business constituting a competing business to the Group.

### Pre-emptive rights

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

### Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December 2004.

### 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 and Managing Director*

Hong Kong, 10th March 2005

# Auditors' Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor Prince's Building  
Central Hong Kong  
Telephone (852) 2289 8888  
Facsimile (852) 2810 9888

## **Auditors' Report to the Shareholders of Midland Realty (Holdings) Limited**

*(incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 27 to 73 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 solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2004 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 10th March 2005

# Consolidated Profit and Loss Account

For the year ended 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$ '000</i>	<b>2003</b> <i>HK\$ '000</i>
Turnover	2	1,987,345	1,179,963
Other revenues	2	14,026	6,529
		<u>2,001,371</u>	<u>1,186,492</u>
Operating costs		(1,611,896)	(1,036,351)
Surplus arising on revaluation of			
Investment properties	13	4,309	670
Other properties	13	27,643	–
		<u>421,427</u>	<u>150,811</u>
Operating profit	3	421,427	150,811
Finance costs	5	(435)	(1,122)
Share of profits less losses of jointly controlled entities	15(ii)	5,905	1,796
		<u>426,897</u>	<u>151,485</u>
Profit before taxation		426,897	151,485
Taxation	6	(67,326)	(26,786)
		<u>359,571</u>	<u>124,699</u>
Profit after taxation		359,571	124,699
Minority interests		(2,333)	(1,950)
		<u>357,238</u>	<u>122,749</u>
Profit attributable to Shareholders	7 & 22	357,238	122,749
Dividends	8	135,947	45,767
		<u>135,947</u>	<u>45,767</u>
Basic earnings per share	9	<u>HK50.7 cents</u>	<u>HK17.8 cents</u>
Diluted earnings per share	9	<u>HK50.7 cents</u>	<u>HK17.7 cents</u>

# STRIKE FOR THE SUMMIT

## Consolidated Balance Sheet

As at 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	13	258,543	136,682
Investments in jointly controlled entities	15	11,076	7,569
Investment securities	16	64,288	2,184
Deferred tax assets	24	5,754	9,798
		<u>339,661</u>	<u>156,233</u>
<b>Current assets</b>			
Accounts receivable	17	625,739	424,237
Other receivables, prepayments and deposits	18	98,061	59,504
Trading investments	19	18,650	11
Bank balances and cash		405,823	373,430
		<u>1,148,273</u>	<u>857,182</u>
<b>Current liabilities</b>			
Accounts payable	20	335,542	225,708
Other payables and accrued charges		217,841	146,457
Current portion of long-term bank loans – secured	23	14,686	11,796
Taxation payable		37,768	22,048
Bank overdrafts	23	9,773	14,629
		<u>615,610</u>	<u>420,638</u>
Net current assets		<u>532,663</u>	<u>436,544</u>
Total assets less current liabilities		<u>872,324</u>	<u>592,777</u>
<b>Financed by:</b>			
Share capital	21	70,439	70,309
Reserves	22	682,695	457,615
Proposed dividend	22	86,640	35,220
Shareholders' funds		839,774	563,144
Minority interests		–	8,355
<b>Non-current liabilities</b>			
Long-term bank loans – secured	23	31,124	20,644
Deferred tax liabilities	24	1,426	634
		<u>872,324</u>	<u>592,777</u>

**CHEUNG Kam Shing**  
*Director*

**LAM Fung Fong**  
*Director*

# Balance Sheet

As at 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$ '000</i>	<b>2003</b> <i>HK\$ '000</i>
<b>Non-current assets</b>			
Investments in subsidiaries	<i>14</i>	377,360	504,357
Investment securities	<i>16</i>	64,288	2,184
		<u>441,648</u>	<u>506,541</u>
<b>Current assets</b>			
Other receivables, prepayments and deposits		154	123
Trading investments	<i>19</i>	8	11
Tax recoverable		–	51
Bank balances and cash		39,760	30,065
		<u>39,922</u>	<u>30,250</u>
<b>Current liabilities</b>			
Other payables and accrued charges		28,876	10,943
Taxation payable		1,512	–
		<u>30,388</u>	<u>10,943</u>
<b>Net current assets</b>		<u>9,534</u>	<u>19,307</u>
<b>Total assets less current liabilities</b>		<u>451,182</u>	<u>525,848</u>
<b>Financed by:</b>			
Share capital	<i>21</i>	70,439	70,309
Reserves	<i>22</i>	294,103	420,319
Proposed dividend	<i>22</i>	86,640	35,220
<b>Shareholders' funds</b>		<u>451,182</u>	<u>525,848</u>
<b>CHEUNG Kam Shing</b>	<b>LAM Fung Fong</b>		
<i>Director</i>	<i>Director</i>		

## Consolidated Cash Flow Statement

For the year ended 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations	25(a)	345,642	166,755
Interest paid		(435)	(1,122)
Hong Kong profits tax paid		(46,342)	(2,918)
Tax refund		22	–
Overseas taxation paid		(146)	(168)
		<hr/>	<hr/>
Net cash from operating activities		298,741	162,547
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities			
Purchase of fixed assets		(109,488)	(11,774)
Proceeds from disposal of fixed assets		30	19,606
Interest received		2,651	2,424
Purchase of investment securities			
– listed government bonds		(11,026)	–
– listed shares		(72,443)	(2,184)
Proceeds from disposal of investment securities		26,730	–
Purchase of trading investments		(25,465)	(112)
Proceeds from disposal of trading investments			
– listed corporate bonds		–	32,997
– listed shares		7,017	119
Acquisition of a subsidiary, net of cash acquired	25(c) & (d)	–	(111)
Acquisition of additional interests in subsidiaries		(1,388)	–
Repayment from/(advance to) a jointly controlled entity		453	(1,043)
Dividend received from a jointly controlled entity		1,000	3,000
		<hr/>	<hr/>
Net cash (used in)/from investing activities		(181,929)	42,922
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

# Consolidated Cash Flow Statement

For the year ended 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$ '000</i>	<b>2003</b> <i>HK\$ '000</i>
Cash flows from financing activities	<i>25(b)</i>		
Net proceeds from exercising of warrants		–	40,611
Exercise of share options		722	7,300
Purchase of own shares		–	(755)
Dividends paid		(84,527)	(48,456)
Dividends paid to minority Shareholders of subsidiaries		(9,300)	–
New bank loans		26,000	–
Repayment of bank loans		(12,630)	(28,086)
		<u>                    </u>	<u>                    </u>
Net cash used in financing activities		<u>(79,735)</u>	<u>(29,386)</u>
Net increase in cash and cash equivalents		37,077	176,083
Cash and cash equivalents at 1st January		358,812	182,620
Increase/(decrease) in trading investments			
– listed equity securities		18,639	(2)
Effect of foreign exchange rate changes		172	111
		<u>                    </u>	<u>                    </u>
Cash and cash equivalents at 31st December		<u>414,700</u>	<u>358,812</u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		405,823	373,430
Bank overdrafts		(9,773)	(14,629)
Trading investments – listed equity securities		18,650	11
		<u>                    </u>	<u>                    </u>
		<u>414,700</u>	<u>358,812</u>

## Consolidated Statement of Changes in Equity

For the year ended 31st December 2004

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Total equity as at 1st January		563,144	442,175
Surplus arising on revaluation of other properties, net of taxation	22	3,025	–
Exchange differences arising on translation of the financial statements of foreign subsidiaries and a jointly controlled entity	22	172	111
Net gains not recognised in the consolidated profit and loss account		3,197	111
Profit attributable to Shareholders	22	357,238	122,749
Dividends	22	(84,527)	(48,456)
Exercise of share options	21 & 22	722	7,300
Exercise of warrants	21 & 22	–	40,611
Reserves transferred to consolidated profit and loss account upon expiry of warrants	22	–	(591)
Purchase of own shares	21 & 22	–	(755)
Total equity as at 31st December		839,774	563,144

# Notes to the Accounts

## 1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (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 Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties, other properties and trading investments are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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.

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 unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves 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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## Notes to the Accounts

### 1. Principal accounting policies *(continued)*

#### (c) Jointly controlled entities

A jointly controlled entity is a joint venture under 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

Reserve arising on consolidation comprises:

##### (i) *Capital reserve arising on shares exchange on merger*

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) *Goodwill/negative goodwill arising on acquisitions*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition.

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 of not more than 20 years. Goodwill on acquisitions that occurred prior to 1st January 2001 was taken to reserve arising on consolidation.

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. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of the those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately. For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserve arising on consolidation.

## 1. Principal accounting policies *(continued)*

### (d) Reserve arising on consolidation *(continued)*

#### (ii) Goodwill/negative goodwill arising on acquisitions *(continued)*

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill/negative goodwill taken to capital reserve arising on consolidation to the extent it has not previously been realised in the profit and loss account.

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously taken to reserve arising on consolidation, is assessed and written down immediately to its recoverable amount.

### (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.

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.

Effective from 31st December 2002, other properties are stated at fair value. Fair value is determined by the directors based on valuations undertaken by professional qualified executives of the Group which are performed every three years. In each of the intervening years, the directors review the carrying value of the other properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the other properties revaluation reserves. 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.

## Notes to the Accounts

### 1. Principal accounting policies *(continued)*

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

The cost of other property transferred from investment property was deemed to be the fair value at the date of change in use. Any difference at that date between the carrying amount of the property and its fair value is accounted for in the same way as a revaluation of an investment property as set out in note 1(e) above.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The estimated useful lives are summarised as follows:

Buildings	50 years
Leasehold improvements	2 to 3 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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

#### (g) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

## 1. Principal accounting policies *(continued)*

### (h) Investments in securities

#### (i) *Investment securities held for non-trading purpose*

Investment securities held for non-trading purpose are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

#### (ii) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

#### (iii) *Trading investments*

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

### (i) Accounts receivable

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

### (j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

## Notes to the Accounts

### 1. Principal accounting policies *(continued)*

#### (k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

#### (l) Employee benefits

##### (i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

##### (ii) *Retirement scheme obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the scheme by the Group and employees are calculated at rates specified in the rules of the scheme. The retirement scheme cost charged to the profit and loss account represents contributions payable by the Company to the fund. The assets of the scheme are held separately from those of the Group in an independently administered fund.

##### (iii) *Equity compensation benefits*

Share options are granted to directors, full time employees and consultants. No compensation cost is recognised in the profit and loss account in connection with share options granted. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

#### (m) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax bases. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation.

## 1. Principal accounting policies *(continued)*

### (m) Deferred taxation *(continued)*

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

### (n) Translation of foreign currencies

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

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

### (o) 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.

Web advertising income and other services fee income including income from property valuation, other advertising and referral services are recognised when services are rendered. Dividend income is recognised when the right to receive payment is established.

### (p) Borrowing costs

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

### (q) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, receivables and operating cash, and mainly exclude certain non-operating cash, corporate properties, investments in securities and trading investments. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

## Notes to the Accounts

### 2. Turnover, revenue and segment information

#### (a) Turnover and revenues

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover		
Agency fee revenue	1,987,345	1,179,963
Other revenues		
Bank interest income	2,651	2,424
Dividend income from listed investment	2,781	–
Gross rental income from investment properties	2,239	2,070
Web advertising income	4,197	618
Other services fee income	2,158	1,417
	<u>14,026</u>	<u>6,529</u>
Total revenues	<u>2,001,371</u>	<u>1,186,492</u>

#### (b) Segment information

The Group is organised into three main business segments including residential property broking services, industrial and commercial property broking services and property leasing. Sales or transactions between the business segments are eliminated on presentation of segment information of the Group.

Other operations of the Group mainly comprise web advertising services, advertising services and valuation business.

## 2. Turnover, revenue and segment information (continued)

### (b) Segment information (continued)

An analysis of the Group's segment information by business segments is as follows:

	2004					Total HK\$'000
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	
Turnover						
External sales	1,705,926	281,419	–	–	–	1,987,345
Other revenues						
External sales	–	–	2,239	6,355	–	8,594
Inter-segment sales	–	–	7,755	8,582	(16,337)	–
Segment revenues	<u>1,705,926</u>	<u>281,419</u>	<u>9,994</u>	<u>14,937</u>	<u>(16,337)</u>	<u>1,995,939</u>
Segment results	<u>303,106</u>	<u>58,838</u>	<u>11,881</u>	<u>9,440</u>	<u>58,734</u>	<u>441,999</u>
Surplus arising on revaluation of corporate properties						26,232
Unallocated costs						(49,455)
Operating profit before interest income and finance costs						418,776
Net finance income						2,216
Share of profits less losses of jointly controlled entities	59	–	–	5,846		5,905
Profit before taxation						426,897
Taxation						(67,326)
Profit after taxation						359,571
Minority interests						(2,333)
Profit attributable to Shareholders						<u>357,238</u>
Segment assets	705,538	107,381	130,558	11,236		954,713
Investments in jointly controlled entities	1,533	–	–	9,543		11,076
Unallocated assets						512,372
Total assets						<u>1,478,161</u>
Segment liabilities	446,779	68,863	1,256	1,133		518,031
Unallocated liabilities						120,356
Total liabilities						<u>638,387</u>
Capital expenditure	60,566	4,578	44,167	177		
Depreciation	17,725	1,697	2,763	230		
Impairment charges	–	–	–	–		
Other non-cash expenses/ (income)	29,339	20,934	(5,690)	75		

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 2. Turnover, revenue and segment information (continued)

#### (b) Segment information (continued)

	2003					Total HK\$'000
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Inter- segment elimination HK\$'000	
Turnover						
External sales	1,053,336	126,627	–	–	–	1,179,963
Other revenues						
External sales	–	–	2,070	2,035	–	4,105
Inter-segment sales	–	–	9,204	2,926	(12,130)	–
Segment revenues	<u>1,053,336</u>	<u>126,627</u>	<u>11,274</u>	<u>4,961</u>	<u>(12,130)</u>	<u>1,184,068</u>
Segment results	<u>122,760</u>	<u>20,874</u>	<u>8,343</u>	<u>(5,306)</u>	<u>30,035</u>	176,706
Unallocated costs						(28,319)
Operating profit before interest income and finance costs						148,387
Net finance income						1,302
Share of profits less losses of jointly controlled entities	(930)	–	–	2,726		1,796
Profit before taxation						151,485
Taxation						(26,786)
Profit after taxation						124,699
Minority interests						(1,950)
Profit attributable to Shareholders						<u>122,749</u>
Segment assets	474,325	58,692	72,953	7,952		613,922
Investments in jointly controlled entities	1,926	–	–	5,643		7,569
Unallocated assets						<u>377,295</u>
Total assets						<u>998,786</u>
Segment liabilities	321,095	37,783	829	1,011		360,718
Unallocated liabilities						<u>66,569</u>
Total liabilities						<u>427,287</u>
Capital expenditure	9,267	2,547	–	107		
Depreciation	9,187	613	3,422	417		
Impairment charges	1,003	–	–	–		
Other non-cash expenses/ (income)	31,362	5,806	(670)	2		

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

### (b) Segment information *(continued)*

No analysis of the Group's segment information by geographical segments is presented as less than 10% of the Group's activities and operations are attributable to markets outside Hong Kong.

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>Crediting</b>		
Net realised gains on disposal of investment securities	5,365	–
Net realised gains on disposal of trading investments	236	1,517
<b>Charging</b>		
Auditors' remuneration	1,300	1,200
Depreciation	23,030	13,639
Impairment of goodwill	–	1,003
Loss on disposal of fixed assets	185	314
Net unrealised losses on trading investments	45	2
Operating leases in respect of land and buildings	123,205	85,015
Outgoings in respect of investment properties	154	72
Provision for bad and doubtful debts	50,379	37,170

## 4. Staff costs

Staff costs (including directors' emoluments as disclosed in note 11) represents:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and allowances	379,837	287,771
Commissions	693,345	366,062
Retirement benefit costs	24,430	17,384
	1,097,612	671,217

The above staff costs did not include the benefits in kind arising from exercise of share options by directors and employees of the Group.

## Notes to the Accounts

### 5. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank loans and overdrafts		
Wholly repayable within five years	335	1,122
Not wholly repayable within five years	100	–
	<u>435</u>	<u>1,122</u>

### 6. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Company and subsidiaries		
Current taxation:		
Hong Kong profits tax	63,936	28,249
Overseas taxation	129	168
Over provision in prior years	(1,879)	(1,430)
Deferred taxation relating to the origination and reversal of temporary differences ( <i>note 24</i> )	4,195	78
Deferred taxation resulting from an increase in tax rate ( <i>note 24</i> )	–	(792)
	<u>66,381</u>	<u>26,273</u>
Share of taxation attributable to jointly controlled entities	945	513
Taxation charge	<u>67,326</u>	<u>26,786</u>

**6. Taxation (continued)**

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	426,897	151,485
Calculated at a taxation rate of 17.5%	74,707	26,510
Effect of different taxation rates in other countries	(66)	(55)
Income not subject to taxation	(5,133)	(699)
Expenses not deductible for taxation purposes	1,353	1,934
Utilisation of previously unrecognised tax losses	(6,729)	(4,519)
Increase in opening net deferred tax assets resulting from an increase in tax rate	–	(792)
Temporary differences unrecognised	517	391
Tax losses not recognised	3,023	5,355
Others	(346)	(1,339)
Taxation charge	<u>67,326</u>	<u>26,786</u>

**7. Profit attributable to Shareholders**

The profit attributable to Shareholders for the year includes a profit of the Company to the extent of HK\$9,139,000 (2003: HK\$1,390,000).

**8. Dividends**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, of HK\$0.07 (2003: HK\$0.015) per ordinary share	49,307	10,547
Final, proposed of HK\$0.123 (2003: HK\$0.05) per ordinary share ( <i>note</i> )	<u>86,640</u>	<u>35,220</u>
	<u>135,947</u>	<u>45,767</u>

*Note:* At a meeting held on 10th March 2005 the directors declared a final dividend of HK\$0.123 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

### 9. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to Shareholders of HK\$357,238,000 (2003: HK\$122,749,000) and the weighted average number of 704,305,000 (2003: 691,464,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31st December 2004 is based on the profit of HK\$357,238,000 and 704,372,000 ordinary shares which are the weighted average number of ordinary shares in issue during the year plus the weighted average of 67,000 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

The diluted earnings per share for the year ended 31st December 2003 was based on the profit of HK\$122,749,000 and 695,137,000 ordinary shares which were the weighted average number of ordinary shares in issue during the year plus the weighted average of 3,673,000 ordinary shares deemed to be issued at no consideration if all outstanding warrants and options had been exercised.

### 10. Retirement benefit costs

The Group did not operate any retirement scheme up to 30th November 2000. With effect from 1st December 2000, the MPF scheme is set up which is available to eligible employees of the Group, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund. Contributions totalling HK\$2,278,000 (2003: HK\$2,919,000) which are payable to the fund are included in accounts payable as at 31st December 2004.

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the People's Republic of China. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated profit and loss account as incurred.

## 11. Directors' and senior management's emoluments

### (a) Directors' emoluments

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

	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Fees	486	240
Basic salaries, housing allowances, commission and other allowances	28,075	18,361
Benefits in kind ( <i>note</i> )	2,416	1,076
Discretionary bonuses	24,198	8,726
Contributions to MPF scheme for directors	51	48
	<u>55,226</u>	<u>28,451</u>

*Note:* On 26th January 2004, Ms LAM Fung Fong, a director of the Company, and Ms IP Kit Yee, Kitty, a former director of the Company who resigned on 24th September 2004, in aggregate, exercised options for 1,000,000 shares at an exercise price of HK\$0.5088 per share. The difference between the aggregate value of the Company's shares issued upon the exercise of these options at the exercise price of HK\$0.5088 per share and the market price of the Company's shares on 26th January 2004 of HK\$2.925 per share amounted to HK\$2,416,000 has been included in the benefits in kind for the year ended 31st December 2004.

On 21st January 2004, Mr KWOK Ying Lung, a director of the Company who was appointed on 24th September 2004, in aggregate, exercised options for 300,000 shares at an exercise price of HK\$0.71 per share. The difference between the aggregate value of the Company's shares issued upon the exercise of these options at the exercise price of HK\$0.71 per share and the market price of the Company's shares on 21st January 2004 of HK\$3.2 per share amounted to HK\$747,000 has not been included in staff costs of the Group for the year ended 31st December 2004 (*note 4*).

On 30th September 2003, Mr CHEUNG Kam Shing, a director of the Company, in aggregate, exercised options for 825,000 shares at an exercise price of HK\$0.496 per share. The difference between the aggregate value of the Company's shares issued upon the exercise of these options at the exercise price of HK\$0.496 per share and the market price of the Company's shares on 30th September 2003 of HK\$1.8 per share amounted to HK\$1,076,000 had been included in the benefits in kind for the year ended 31st December 2003.

Directors' fees disclosed above are 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 21(b)*.

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 11. Directors' and senior management's emoluments (continued)

#### (a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emoluments bands HK\$	Number of directors	
	2004	2003
0 – 1,000,000	7	4
1,500,001 – 2,000,000	–	1
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	2	–
3,000,001 – 3,500,000	1	–
4,000,001 – 4,500,000	1	–
5,000,001 – 5,500,000	–	1
7,000,001 – 7,500,000	1	–
18,500,001 – 19,000,000	–	1
33,500,001 – 34,000,000	1	–
	13	8

No directors waived their emoluments in respect of the years ended 31st December 2004 and 2003.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2003: one) individual during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances and other allowances	1,111	875
Benefits in kind (note)	–	4,305
Discretionary bonus	238	3,300
Contributions to MPF scheme	7	9
	1,356	8,489

*Note:* In 2003, an employee of the Group in aggregate exercised options of 6,500,000 shares at an exercise price of HK\$0.53 per share. The difference between the aggregate value of the Company's shares issued upon the exercise of these options at the exercise price and the market price of the Company's shares amounted to HK\$4,305,000 has been included in the benefits in kind.

**11. Directors' and senior management's emoluments** *(continued)*

**(b) Five highest paid individuals** *(continued)*

The emoluments fell within the following bands:

Emoluments bands <i>HK\$</i>	Number of individuals	
	2004	2003
1,000,001 – 1,500,000	1	–
8,000,001 – 8,500,000	–	1

**12. Intangible assets**

	Goodwill <i>HK\$'000</i>	Group Negative goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st December 2004 and 2003			
Cost	5,702	(3,213)	2,489
Accumulated amortisation and impairment losses	(5,702)	3,213	(2,489)
Net book amount	–	–	–

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 13. Fixed assets

	Group							Total HK\$'000
	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	
<b>Cost or valuation:</b>								
At 1st January 2004	14,500	8,200	98,482	58,080	16,717	91,095	2,456	289,530
Additions	24,440	–	19,728	31,044	9,482	23,976	818	109,488
Disposals	–	–	–	(765)	(1)	(166)	–	(932)
Revaluation surplus	4,209	100	24,591	–	–	–	–	28,900
At 31st December 2004	43,149	8,300	142,801 <sup>#</sup>	88,359	26,198	114,905	3,274	426,986
<b>Accumulated depreciation and impairment:</b>								
At 1st January 2004	–	–	3,339	52,151	13,542	81,431	2,385	152,848
Charge for the year	–	–	3,379	10,568	1,685	7,224	174	23,030
Disposals	–	–	–	(655)	(1)	(61)	–	(717)
Written back upon revaluation	–	–	(6,718)	–	–	–	–	(6,718)
At 31st December 2004	–	–	–	62,064	15,226	88,594	2,559	168,443
<b>Net book value:</b>								
At 31st December 2004	43,149	8,300	142,801	26,295	10,972	26,311	715	258,543
At 31st December 2003	14,500	8,200	95,143	5,929	3,175	9,664	71	136,682
<sup>#</sup> The carrying amount of other properties in Hong Kong at 31st December 2004 of HK\$142,801,000 (2003: HK\$98,482,000) includes an amount of HK\$9,800,000 (2003: HK\$8,394,000) transferred from investment properties.								

## 13. Fixed assets (continued)

The analysis of the cost or valuation at 31st December 2004 and 2003 of the above assets is as follows:

	Group							Total HK\$ '000
	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	
<b>At 31st December 2004:</b>								
At cost	-	-	-	88,359	26,198	114,905	3,274	232,736
At 2004 professional valuation	43,149	8,300	142,801	-	-	-	-	194,250
	<u>43,149</u>	<u>8,300</u>	<u>142,801</u>	<u>88,359</u>	<u>26,198</u>	<u>114,905</u>	<u>3,274</u>	<u>426,986</u>
<b>At 31st December 2003:</b>								
At cost	-	-	-	58,080	16,717	91,095	2,456	168,348
At 2002 professional valuation	-	-	98,482	-	-	-	-	98,482
At 2003 professional valuation	14,500	8,200	-	-	-	-	-	22,700
	<u>14,500</u>	<u>8,200</u>	<u>98,482</u>	<u>58,080</u>	<u>16,717</u>	<u>91,095</u>	<u>2,456</u>	<u>289,530</u>

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

	Group	
	2004 HK\$ '000	2003 HK\$ '000
In Hong Kong, held on:		
Leases of over 50 years	135,500	62,138
Leases of between 10 to 50 years	50,450	47,505
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	<u>8,300</u>	<u>8,200</u>
	<u>194,250</u>	<u>117,843</u>

## Notes to the Accounts

### 13. Fixed assets *(continued)*

Investment properties were revalued at 31st December 2004 on the basis of their open market value carried out by Chesterton Petty Limited, an independent firm of chartered surveyors. The surplus arising on revaluation amounted to HK\$4,309,000 (2003: HK\$670,000) was credited to the consolidated profit and loss account.

Other properties were revalued at 31st December 2004 on the basis of their open market value carried out by Mr Ronald Y.F. CHEUNG, a member of the Hong Kong Institute of Surveyors employed by the Group, the surplus arising on revaluation of other properties as at 31st December 2004 amounted to HK\$31,309,000 in which HK\$27,643,000 is first credited to the consolidated profit and loss account to the extent the revaluation deficit of the same properties previously recognised as an expense. The remaining balance of HK\$3,666,000, net of applicable deferred income taxes of HK\$641,000, is credited to the other properties revaluation reserve.

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\$194,836,000 (2003: HK\$178,894,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

At 31st December 2004, the net book value of investment properties and other properties pledged as security for the Group's long-term bank loans amounted to HK\$185,950,000 (2003: HK\$109,643,000) (*note 23*).

### 14. Investments in subsidiaries

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	108,501	108,501
Amounts due from subsidiaries	856,089	860,985
Amounts due to subsidiaries	(587,230)	(465,129)
	<u>377,360</u>	<u>504,357</u>

The amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of principal subsidiaries are set out in note 32 to the accounts.

## 15. Investments in jointly controlled entities

	Group	
	2004 HK\$ '000	2003 HK\$ '000
Share of net assets	10,332	6,372
Amount due from a jointly controlled entity ( <i>note(i)</i> )	744	1,197
	<u>11,076</u>	<u>7,569</u>
Unlisted shares, at cost	<u>3,812</u>	<u>3,812</u>

*Notes:*

- (i) The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.
- (ii) The share of results of jointly controlled entities is stated after crediting HK\$990,000 (2003: Nil) negative goodwill arising from acquisition of Vision Year Investment Limited recognised in the consolidated profit and loss account for the year.
- (iii) Details of the jointly controlled entities are set out in note 32 to the accounts.

## 16. Investment securities

	Group and Company	
	2004 HK\$ '000	2003 HK\$ '000
Equity securities listed in Hong Kong,		
At cost	53,262	2,184
Held-to-maturity securities listed in Hong Kong,		
At amortised cost	<u>11,026</u>	<u>–</u>
	<u>64,288</u>	<u>2,184</u>
Market value of listed equity securities	<u>69,117</u>	<u>3,755</u>

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 17. 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 31st December 2004, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Not yet due	500,101	284,100
Within 30 days	38,805	66,569
31 – 60 days	38,982	41,943
61 – 90 days	23,601	13,115
Over 90 days	24,250	18,510
	<u>625,739</u>	<u>424,237</u>

### 18. Other receivables, prepayments and deposits

Included in other receivables, prepayments and deposits of the Group was a loan due from an officer, who was appointed as a director on 24th September 2004, as follows:

Name	Terms of the loan	Maximum amount outstanding during the year HK\$'000	Amount outstanding at 31st December 2004 HK\$'000	Amount outstanding at 31st December 2003 HK\$'000
KWOK Ying Lung	Unsecured, interest free and repayable on demand	194	–	194

The loan due from an officer was repaid during the year prior to the appointment of him as a director.

### 19. Trading investments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Equity securities – listed in Hong Kong, at market value	<u>18,650</u>	<u>11</u>	<u>8</u>	<u>11</u>

**20. 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 31st December 2004, the accounts payable included HK\$57,701,641 (2003: HK\$41,133,000) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

**21. Share capital****(a) Share capital**

	<b>Company Ordinary shares of HK\$0.10 each</b>	
	<i>No. of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
At 31st December 2004 and 2003	1,000,000,000	100,000
<i>Issued and fully paid:</i>		
At 31st December 2002	609,447,000	60,945
Exercise of warrants	81,224,000	8,122
Exercise of share options	13,825,000	1,383
Cancellation of purchased shares	(1,406,000)	(141)
At 31st December 2003	703,090,000	70,309
At 31st December 2003	703,090,000	70,309
Exercise of share options	1,300,000	130
At 31st December 2004	704,390,000	70,439

**(b) Share options**

The Company adopted the 1995 Share Option Scheme on 12th May 1995. The 1995 Share Option Scheme was terminated on 30th April 2002 without prejudice to the rights and benefits of and attached to those options granted thereunder which were outstanding as at 30th April 2002.

## Notes to the Accounts

### 21. Share capital *(continued)*

#### (b) Share options *(continued)*

At the special general meeting of the Company held on 30th April 2002, an ordinary resolution was duly passed under which the 2002 Share Option Scheme was adopted and approved by the Shareholders of the Company. Under the terms of the 2002 Share Option Scheme, the Board may, at their discretion, grant to any eligible persons including directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company's share at the subscription price not less than the highest of (i) closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company as consideration for the grant.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes of the Group (including the 1995 Share Option Scheme) shall not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme and any other share option schemes shall not exceed 59,618,900 shares, representing 8.46% of the shares in issue as at the date of this report.

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period, in relation to relevant option, to be notified by the directors to the grantee, such period not earlier than the commencement date and not more than 10 years from the commencement date.

The 2002 Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2004	2003
At the beginning of the year	1,300,000	6,468,000
Granted <i>(note (i))</i>	–	13,000,000
Exercised <i>(note (ii))</i>	(1,300,000)	(13,825,000)
Lapsed <i>(note (iii))</i>	–	(4,343,000)
	–	–
At the end of the year <i>(note (iv))</i>	–	1,300,000

## 21. Share capital (continued)

### (b) Share options (continued)

Notes:

- (i) No share options were granted under 1995 Share Option Scheme and the 2002 Share Option Scheme during the year ended 31st December 2004. In 2003, share options were granted on 9th June 2003 under the 2002 Share Option Scheme at the exercise price of HK\$0.53 per share. Consideration of HK\$1 was received from each grantee in respect of the share options granted. All of the respective share options were exercised as at 31st December 2003 (note (ii)).
- (ii) Options exercised on the following dates resulted in 1,300,000 shares (2003: 13,825,000 shares) being issued yielding the following proceeds:

	2004 HK\$ '000	2003 HK\$ '000
Ordinary share capital – at par	130	1,383
Share premium	592	5,917
Proceeds	<u>722</u>	<u>7,300</u>

	Number of shares issued	Market price of shares HK\$ '000	Fair value of shares HK\$ '000
Fair value of share issued at exercise price of HK\$0.71 at the following exercise date of:			
21st January 2004	300,000	3.2	960
Fair value of share issued at exercise price of HK\$0.5088 at the following exercise date of:			
26th January 2004	1,000,000	2.925	2,925
	<u>1,300,000</u>		<u>3,885</u>
Fair value of share issued at exercise price of HK\$0.53 at the following exercise date of:			
5th August 2003	1,000,000	0.78	780
11th August 2003	1,000,000	0.79	790
21st August 2003	1,000,000	0.98	980
22nd August 2003	1,000,000	1.05	1,050
25th August 2003	1,000,000	1.02	1,020
29th August 2003	1,000,000	1.00	1,000
1st September 2003	1,000,000	1.03	1,030
3rd September 2003	1,000,000	1.12	1,120
15th September 2003	2,000,000	1.27	2,540
16th September 2003	2,000,000	1.38	2,760
24th September 2003	500,000	1.76	880
25th September 2003	500,000	1.82	910
	<u>13,000,000</u>		<u>14,860</u>
Fair value of shares issued at exercise price of HK\$0.496 at the following exercise date of:			
30th September 2003	825,000	1.80	1,485
	<u>13,825,000</u>		<u>16,345</u>

## Notes to the Accounts

### 21. Share capital (continued)

#### (b) Share options (continued)

Notes: (continued)

- (iii) No share options lapsed during the year. In 2003, 4,343,000 share options lapsed in accordance with the terms of the 1995 Share Option Scheme.
- (iv) There were no share options outstanding as at 31st December 2004. As at 31st December 2003, share options outstanding have the following terms:

Expiry Date	Exercise price HK\$	Number of options	Vested percentages
Directors			
14th May 2005	0.5088	500,000 *	100%
14th May 2006	0.5088	500,000 *	100%
		1,000,000	
Continuous contract employees			
17th February 2004	0.71	150,000 **	100%
17th February 2005	0.71	150,000 **	100%
		300,000	
Total for directors and continuous contract employees		1,300,000	

\* Share options were exercised on 26th January 2004.  
\*\* Share options were exercised on 21st January 2004.

No share options were cancelled during the year. (2003: Nil).

#### (c) Warrants

In January 2003, 81,224,000 warrants were exercised, resulting in the issue of 81,224,000 ordinary shares of HK\$0.01 each by the Company at the subscription price of HK\$0.50 per share. The subscription right attaching to the outstanding 2,820,000 warrants has been expired and lapsed on 13th January 2003.

On 8th April 2003, the directors proposed to make a bonus issue of warrants to Shareholders of the Company whose names are recorded on the register of members of the Company as at the close of business on 21st May 2003 (other than Shareholders whose address are outside Hong Kong). The resolution of the proposed bonus warrant issue was not approved by the Shareholders of the Company at the special general meeting held on 21st May 2003. As the proposed bonus issue of warrants was conditional upon the passing of an ordinary resolution by the Shareholders of the Company, the proposed bonus issue of warrants did not proceed.

## 22. Reserves

	Share premium <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Arising on consolidation <i>HK\$'000</i>	Group Warrants <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2003	76,289	1,937	(36,995)	17,618	(454)	322,835	381,230
Exchange differences	-	-	-	-	111	-	111
Profit for the year	-	-	-	-	-	122,749	122,749
2002 final dividend paid	-	-	-	-	-	(3,446)	(3,446)
2002 special cash bonus paid	-	-	-	-	-	(34,463)	(34,463)
2003 interim dividend paid	-	-	-	-	-	(10,547)	(10,547)
Purchase of own shares	(614)	-	-	-	-	-	(614)
Transfer from retained earnings	-	141	-	-	-	(141)	-
Exercise of share options	5,917	-	-	-	-	-	5,917
Exercise of warrants	49,516	-	-	(17,027)	-	-	32,489
Release of warrants reserve upon expiry of warrants	-	-	-	(591)	-	-	(591)
At 31st December 2003	<u>131,108</u>	<u>2,078</u>	<u>(36,995)</u>	<u>-</u>	<u>(343)</u>	<u>396,987</u>	<u>492,835</u>
Representing:							
Reserves	131,108	2,078	(36,995)	-	(343)	361,767	457,615
2003 final dividend proposed ( <i>note 8</i> )	-	-	-	-	-	35,220	35,220
At 31st December 2003	<u>131,108</u>	<u>2,078</u>	<u>(36,995)</u>	<u>-</u>	<u>(343)</u>	<u>396,987</u>	<u>492,835</u>
Company and subsidiaries	131,108	2,078	(36,995)	-	409	393,675	490,275
Jointly controlled entities	-	-	-	-	(752)	3,312	2,560
At 31st December 2003	<u>131,108</u>	<u>2,078</u>	<u>(36,995)</u>	<u>-</u>	<u>(343)</u>	<u>396,987</u>	<u>492,835</u>

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 22. Reserves (continued)

	Group							
	Share premium	Capital redemption	Arising on consolidation	Other properties revaluation	Warrants	Exchange difference	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	131,108	2,078	(36,995)	-	-	(343)	396,987	492,835
Surplus arising on revaluation of other properties, net of taxation	-	-	-	3,025	-	-	-	3,025
Exchange differences	-	-	-	-	-	172	-	172
Profit for the year	-	-	-	-	-	-	357,238	357,238
2003 final dividend paid	-	-	-	-	-	-	(35,220)	(35,220)
2004 interim dividend paid	-	-	-	-	-	-	(49,307)	(49,307)
Exercise of share options	592	-	-	-	-	-	-	592
At 31st December 2004	<u>131,700</u>	<u>2,078</u>	<u>(36,995)</u>	<u>3,025</u>	<u>-</u>	<u>(171)</u>	<u>669,698</u>	<u>769,335</u>
Representing:								
Reserves	131,700	2,078	(36,995)	3,025	-	(171)	583,058	682,695
2004 final dividend proposed (note 8)	-	-	-	-	-	-	86,640	86,640
At 31st December 2004	<u>131,700</u>	<u>2,078</u>	<u>(36,995)</u>	<u>3,025</u>	<u>-</u>	<u>(171)</u>	<u>669,698</u>	<u>769,335</u>
Company and subsidiaries	131,700	2,078	(36,995)	3,025	-	581	662,426	762,815
Jointly controlled entities	-	-	-	-	-	(752)	7,272	6,520
At 31st December 2004	<u>131,700</u>	<u>2,078</u>	<u>(36,995)</u>	<u>3,025</u>	<u>-</u>	<u>(171)</u>	<u>669,698</u>	<u>769,335</u>

## 22. Reserves (continued)

	Share premium <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Company		Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Warrants <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>		
At 1st January 2003	76,289	1,937	17,618	108,001	261,559	465,404
Profit for the year	-	-	-	-	1,390	1,390
2002 final dividend paid	-	-	-	-	(3,446)	(3,446)
2002 special cash bonus paid	-	-	-	-	(34,463)	(34,463)
2003 interim dividend paid	-	-	-	-	(10,547)	(10,547)
Purchase of own shares	(614)	-	-	-	-	(614)
Transfer from retained earnings	-	141	-	-	(141)	-
Exercise of share options	5,917	-	-	-	-	5,917
Exercise of warrants	49,516	-	(17,027)	-	-	32,489
Release of warrants reserve upon expiry of warrants	-	-	(591)	-	-	(591)
At 31st December 2003	<u>131,108</u>	<u>2,078</u>	<u>-</u>	<u>108,001</u>	<u>214,352</u>	<u>455,539</u>
Representing:						
Reserves	131,108	2,078	-	108,001	179,132	420,319
2003 final dividend proposed (note 8)	-	-	-	-	35,220	35,220
At 31st December 2003	<u>131,108</u>	<u>2,078</u>	<u>-</u>	<u>108,001</u>	<u>214,352</u>	<u>455,539</u>

# STRIKE FOR THE SUMMIT

## Notes to the Accounts

### 22. Reserves (continued)

	Share premium <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Company		Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Warrants <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>		
At 1st January 2004	131,108	2,078	–	108,001	214,352	455,539
Profit for the year	–	–	–	–	9,139	9,139
2003 final dividend paid	–	–	–	–	(35,220)	(35,220)
2004 interim dividend paid ( <i>note 8</i> )	–	–	–	–	(49,307)	(49,307)
Exercise of share options	592	–	–	–	–	592
At 31st December 2004	<u>131,700</u>	<u>2,078</u>	<u>–</u>	<u>108,001</u>	<u>138,964</u>	<u>380,743</u>
Representing:						
Reserves	131,700	2,078	–	108,001	52,324	294,103
2004 final dividend proposed ( <i>note 8</i> )	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>86,640</u>	<u>86,640</u>
At 31st December 2004	<u>131,700</u>	<u>2,078</u>	<u>–</u>	<u>108,001</u>	<u>138,964</u>	<u>380,743</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. The contributed surplus as stated in the Company's balance sheet is distributable to the Shareholders. In the Group accounts, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

## 23. Long-term bank loans – secured

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Secured bank loans		
– wholly repayable within five years	35,092	32,440
– not wholly repayable within five years	10,718	–
	45,810	32,440
Current portion of long-term bank loans	(14,686)	(11,796)
	31,124	20,644

The bank loans are secured by certain Group's investment properties and other properties (note 13).

At 31st December 2004, the Group's bank loans and overdrafts were repayable as follows:

	Group			
	Bank overdrafts		Bank loans	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	9,773	14,629	14,686	11,796
In the second year	–	–	11,737	11,797
In the third to fifth year	–	–	8,669	8,847
After the fifth year	–	–	10,718	–
	9,773	14,629	45,810	32,440

## Notes to the Accounts

### 24. Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the deferred taxation account is as follows:

	Deferred tax (assets)	
	2004	2003
	HK\$'000	HK\$'000
At 1st January	(9,164)	(8,450)
Deferred taxation charged/(credited) to profit and loss account (note 6)	4,195	(714)
Taxation charged to equity	641	—
At 31st December	<u>(4,328)</u>	<u>(9,164)</u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$181,185,000 (2003: HK\$205,016,000) to carry forward against future taxable income; these tax losses have no expiry date except that tax losses of HK\$25,292,000 (2003: HK\$12,937,000) will be fully expired in 2009 (2003: 2008).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

#### Deferred tax assets

	Group							
	Provisions		Impairment of assets		Tax losses		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	(2,557)	(572)	(6,550)	(5,596)	(691)	(2,365)	(9,798)	(8,533)
Charged/(credited) to profit and loss account	(1,643)	(1,985)	3,654	(954)	208	1,674	2,219	(1,265)
At 31st December	<u>(4,200)</u>	<u>(2,557)</u>	<u>(2,896)</u>	<u>(6,550)</u>	<u>(483)</u>	<u>(691)</u>	<u>(7,579)</u>	<u>(9,798)</u>

## 24. Deferred taxation (continued)

## Deferred tax liabilities

	Accelerated tax depreciation	
	2004 HK\$'000	2003 HK\$'000
At 1st January	634	83
Charged to profit and loss account	1,976	551
Charged to equity	641	—
At 31st December	<u>3,251</u>	<u>634</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(5,754)	(9,798)
Deferred tax liabilities	<u>1,426</u>	<u>634</u>
	<u>(4,328)</u>	<u>(9,164)</u>
The amounts shown in the balance sheet include the following:		
Deferred tax assets to be recovered after more than 12 months	(2,792)	(9,102)
Deferred tax liabilities to be settled after more than 12 months	<u>558</u>	<u>218</u>

## Notes to the Accounts

### 25. Consolidated cash flow statement

#### (a) Reconciliation of operating profit to cash generated from operations

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	421,427	150,811
Depreciation	23,030	13,639
Loss on disposal of fixed assets	185	314
Surplus on revaluation of investment properties and other properties	(31,952)	(670)
Reserve transferred to consolidated profit and loss account upon expiry of warrants	–	(591)
Impairment of goodwill	–	1,003
Interest income	(2,651)	(2,424)
Net realised gains on investment securities	(5,365)	–
Net realised and unrealised gains on trading investments	(191)	(1,515)
	<hr/>	<hr/>
Operating profit before working capital changes	404,483	160,567
Increase in accounts receivable, other receivables, prepayment and deposits	(240,059)	(199,141)
Increase in accounts payable, other payables and accrued charges	181,218	205,329
	<hr/>	<hr/>
Cash generated from operations	<u>345,642</u>	<u>166,755</u>

## 25. Consolidated cash flow statement (continued)

## (b) Analysis of change in financing during the year

	<b>Dividend payable</b> <i>HK\$'000</i>	<b>Share capital and share premium</b> <i>HK\$'000</i>	<b>Bank loans</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>
At 1st January 2003	–	154,852	60,526	6,405
Minority interests' share of profits	–	–	–	1,950
Cash (outflows)/inflows	(48,456)	47,156	(28,086)	–
Release of warrant reserve after the expiry of warrants	–	(591)	–	–
Dividends	48,456	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 2003	–	201,417	32,440	8,355
	<hr/>	<hr/>	<hr/>	<hr/>
At 1st January 2004	–	201,417	32,440	8,355
Minority interests' share of profits	–	–	–	2,333
Cash (outflows)/inflows	(84,527)	722	13,370	(9,300)
Acquisition of additional interests in subsidiaries	–	–	–	(1,388)
Dividends	84,527	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December 2004	–	202,139	45,810	–
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes to the Accounts

### 25. Consolidated cash flow statement *(continued)*

#### (c) Acquisition of a subsidiary

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets acquired		
Fixed assets	–	147
Accounts and other receivables	–	665
Bank balances and cash	–	175
Accounts and other payables	–	(1,704)
	–	(717)
Goodwill	–	1,003
	–	286
Satisfied by:		
Cash	–	286

The subsidiary acquired in 2003 contributed HK\$45,000 in respect of the Group's net operating cash flows.

#### (d) Analysis of the net cash outflow in respect of the acquisition of a subsidiary

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Bank balances and cash in hand acquired	–	175
Cash consideration	–	(286)
	–	(111)

**26. Future lease rental payments receivable**

At 31st December 2004, the Group had future minimum lease rental payments receivable under non-cancellable operating leases as follows:

	Group	
	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Not later than one year	1,794	2,028
Later than one year and not later than five years	669	1,079
	<u>2,463</u>	<u>3,107</u>

**27. Commitments under operating leases**

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office and shop premises as follows:

	Group	
	2004 <i>HK\$ '000</i>	2003 <i>HK\$ '000</i>
Not later than one year	160,421	67,952
Later than one year and not later than five years	120,985	36,864
	<u>281,406</u>	<u>104,816</u>

At 31st December 2004, the Company did not have any significant commitments (2003: Nil).

**28. Pending litigation**

The Group has been involved in certain litigations in respect of property broking services. 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.

**29. Contingent liabilities**

During the years ended 31st December 2004 and 2003, 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.

## Notes to the Accounts

### 30. Subsequent events

Pursuant to the subscription agreement (“Subscription Agreement”) entered into on 25th January 2005 between, inter alia, the Company and EVI Education Asia Limited (“EVI”), a company incorporated in Cayman Islands and listed on the Growth Enterprise Market operated by the Stock Exchange, the Group had conditionally agreed to subscribe for 4,300 million new shares of HK\$0.01 each in the capital of EVI at the price of HK\$0.025 each. The total consideration amounts to HK\$107.5 million which will be satisfied by the internal resources of the Group.

The 4,300 million new EVI shares represent approximately 107.5% of the issued share capital of EVI as at 26th January 2005, or approximately 51.81% of the issued share capital of EVI as enlarged by the subscription. Up to the date of this report, the major conditions precedent of the completion of Subscription Agreement have all been fulfilled. The directors anticipate that the subscription will be completed in March 2005, upon which, EVI will become a subsidiary to the Group.

### 31. Approval of accounts

The accounts were approved by the Board on 10th March 2005.

### 32. List of principal subsidiaries and jointly controlled entities

The following is a list of the principal subsidiaries and jointly controlled entities at 31st December 2004:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ paid up capital	Interest held %
<b>Subsidiaries</b>				
<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>				
Hong Kong Property Services (Agency) Limited	Hong Kong	Property agent in Hong Kong	2 Ordinary shares of HK\$1 each	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	Property agent in Hong Kong	2 Ordinary shares of HK\$1 each	100

## 32. List of principal subsidiaries and jointly controlled entities (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ paid up capital	Interest held %
<b>Subsidiaries (continued)</b>				
<i>– indirectly held by the Company (continued)</i>				
Midland CyberNet Limited	Hong Kong	An operator of an internet website in Hong Kong	39,100,000 Ordinary shares of HK\$1 each	100
Midland HKP Services (Administration) Limited	Hong Kong	Administration and management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland Immigration Consultancy Limited (formerly known as Midland Professional Consulting Service Limited)	Hong Kong	Immigration Services in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Aberdeen) Limited (note a)	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty Consultancy (Shanghai) Co. Ltd. (note b)	The People's Republic of China (as a wholly foreign-owned enterprise)	Property agent in the People's Republic of China	US\$1,000,000	100
Midland Realty (Comm. & 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 (note a)	Hong Kong	Property agent in Hong Kong	800,000 Ordinary shares of HK\$1 each	100
Midland Realty (Macau) Limited (notes b&c)	Macau	Property agent in Macau	MOP\$25,000	100

## Notes to the Accounts

### 32. List of principal subsidiaries and jointly controlled entities *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ paid up capital	Interest held %
<b>Subsidiaries <i>(continued)</i></b>				
<i>– indirectly held by the Company (continued)</i>				
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 Surveyors Limited	Hong Kong	Property valuer in Hong Kong	1,000,000 Ordinary shares of HK\$1 each	100
Real Gain Limited	Hong Kong	Property investment in Hong Kong	10,000 Ordinary shares of HK\$1 each	100
Worldboss Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
美聯物業代理(深圳)有限公司 <i>(note b)</i>	The People's Republic of China (as a wholly foreign-owned enterprise)	Property agent in the People's Republic of China	US\$1,000,000	100
Guangzhou Midland Property Agency Co., Ltd. <i>(notes b&amp;c)</i>	The People's Republic of China (as a wholly foreign-owned enterprise)	Property agent in the People's Republic of China	US\$500,000	100

32. List of principal subsidiaries and jointly controlled entities *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Percentage of interest in ownership/voting power/ profit sharing
<b>Jointly controlled entities</b>			
<i>– indirectly held by the Company</i>			
Midland (Guangzhou) Real Estate Consultants Limited <i>(note b)</i>	The People's Republic of China (as a cooperative joint venture)	Property agent in the People's Republic of China	70%/50%/70%
mReferral Corporation Limited <i>(note b)</i>	British Virgin Islands	Investment holding in Hong Kong	33.33%/33.33%/33.33%
Vision Year Investment Limited <i>(note c)</i>	British Virgin Islands	Investment holding in Hong Kong	20%/33.33%/20%

*Notes:*

- (a) The Group acquired 20% equity interest in Midland Realty (Aberdeen) Limited on 21st September 2004 and 10% equity interest in Midland Realty (Kln Res.) Limited on 27th October 2004. Taking into the account of original 80% and 90% equity interest in Midland Realty (Aberdeen) Limited and Midland Realty (Kln Res.) Limited respectively, the Group holds 100% equity interest in both subsidiaries as at 31st December 2004.
- (b) These subsidiaries and jointly controlled entities are not audited by PricewaterhouseCoopers, Hong Kong.
- (c) These subsidiaries and jointly controlled entity were set up during the year.

# STRIKE FOR THE SUMMIT

## List of Investment Properties

At 31st December 2004

	<b>Location</b>	<b>Lot Number</b>	<b>Existing use</b>	<b>Lease term</b>	<b>Group's interest</b>
1	Shop No. 2 on Lower Ground Floor, Braemar Hill Shopping Centre, No. 45 Braemar Hill Road, North Point, Hong Kong.	IL 8398	Commercial	Long	100%
2	Commercial Unit No. 21 on Ground Floor, Mayfair Centre, 6 Ash Street, Tai Kok Tsui, Kowloon.	KIL 2206	Commercial	Long	100%
3	Unit 2501 on 25th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong	IL 8432	Commercial	Long	100%
4	Portion of Unit 2 on 33rd Floor, Bank of America Tower, No.12 Harcourt Road, Central, Hong Kong.	IL 8294	Commercial	Long	100%
5	Room 707, Fortress Tower, No. 250 King's Road, Foretress Hill, Hong Kong.	IL 8416	Commercial	Long	100%
6	Shop No. 42, Sun Hing Garden, No. 2 On Po Lane, Tai Po, New Territories.	TPTL 26	Commercial	Medium	100%
7	Section B of Shops No. 97A on Ground Floor, Nos. 69-119 Broadway, Phase IV of Mei Foo Sun Chuen, Lai Chi Kok, Kowloon.	NKIL 5087	Commercial	Medium	100%
8	Units 1202, 1203 and 1204 on 12th Floor of Tower 1, Henderson Centre, Beijing Jiangnomenei Avenue, Beijing Stations Street, Dongcheng District, Beijing, The People's Republic of China.	<sup>1</sup>	Commercial	Medium	100%
9	Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, Nos. 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories,	TWTL 303	Commercial	Medium	100%

<sup>1</sup> Property located in PRC without lot number.

# Investor Relations

## Website

www.midland.com.hk

## E-Mail address

investor@midland.com.hk

## Financial Calendar

2004 AGM	11th May 2004
Announcement of interim results	21st September 2004
Announcement of annual results	10th March 2005
2005 AGM	15th April 2005

## Dividends

2004 interim dividend	HK\$0.070
Payment date for interim dividend	15th October 2004
Proposed 2004 final dividend	HK\$0.123
Book closing dates for final dividend	11th-15th April 2005
Record date for final dividend	15th April 2005
Payment date for final dividend	on or before 20th April 2005

## Share Information

Stock Code	1200
Board Lot	2,000 shares

## Shareholder services

For enquires about share transfer and registration, please contact the Company's Hong Kong Share Registrar:

Abacus Share Registrars Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong  
Telephone: (852) 2980 1700

Shareholders should notify the Registrar promptly of any change of their address.

## Glossary

“1995 Share Option Scheme”	a share option scheme adopted by the Company on 12th May 1995
“2002 Share Option Scheme”	a new share option scheme adopted and approved by the Shareholders at the special general meeting of the Company held on 30th April 2002
“AGM”	the annual general meeting of the Company
“Board”	the board of directors of the Company
“Company”	Midland Realty (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MPF”	the mandatory provident fund
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	the holder(s) of the share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited