



# MIDLAND REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

## ACQUISITION OF HONG KONG PROPERTY ASSETS, ISSUE OF CONVERTIBLE NOTE AND DISPOSAL OF CERTAIN INTERESTS IN MIDLAND REALTY CYBER AGENCY LIMITED

The Board announces that on 10th April, 2000, Great Solution Limited (a wholly owned subsidiary of the Company) as the Purchaser entered into the Sale and Purchase Agreement with Hong Kong Property Services (Agency) Holdings Limited as the Vendor, Winchesto Finance Company Limited as the Lender, Cheung Kong (Holdings) Limited as the Vendor Guarantor and the Company as the Purchaser Guarantor pursuant to which the Purchaser will purchase from the Vendor and the Lender the Hong Kong Property Assets for a total consideration of HK\$70,000,007. Part of the consideration for purchase of the Hong Kong Property Assets will be satisfied by the Company issuing the Note in the principal sum of HK\$70,000,000 to the Vendor as nominated by the Lender.

The Board also announces that on 10th April, 2000, Midland Cyber (a wholly owned subsidiary of the Company) entered into the Midland Cyber Subscription Agreement with Hong Kong Property Services (Holdings) Limited as the Subscriber, and the Company as the Guarantor pursuant to which the Subscriber will subscribe for 20% of the enlarged issued share capital of Midland Cyber at the Midland Cyber Subscription Price of HK\$40,000,000 payable in cash. Midland Cyber also grants the Midland Cyber Option to the Subscriber to further subscribe for 5% of the share capital of Midland Cyber immediately prior to the Possible Midland Cyber IPO at the price which will be at a 15% discount to the public offer price of the Midland Cyber Shares.

The Shares were suspended from trading on the Stock Exchange from 2:30 p.m. on 10th April 2000 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 10:00 a.m. on 13th April 2000.

### A. SALE AND PURCHASE AGREEMENT DATED 10TH APRIL 2000

#### 1. Parties:

##### Vendor:

Hong Kong Property Services (Agency) Holdings Limited, a company incorporated in Hong Kong and 88.8% beneficially held by Cheung Kong (Holdings) Limited and 12.2% held by other third parties. Each of the Vendor, Cheung Kong and such third parties is an independent third party not connected with any of the directors, substantial shareholders or chief executives of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

##### Vendor Guarantor:

Cheung Kong, which guarantees the performance of the obligations of the Vendor under the Sale and Purchase Agreement.

##### Lender:

Winchesto Finance Company Limited, a company incorporated in Hong Kong and wholly owned by Cheung Kong. Each of the Lender and Cheung Kong is an independent third party not connected with any of the directors, substantial shareholders or chief executives of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

##### Purchaser:

Great Solution Limited, a private company incorporated in the British Virgin Islands and wholly owned by the Company.

##### Purchaser Guarantor:

The Company, which guarantees the performance of the obligations of the Purchaser under the Sale and Purchase Agreement.

#### 2. Assets to be Acquired:

The assets to be acquired under the Sale and Purchase Agreement comprise the entire issued shares of Hong Kong Property Services (Agency) Limited, Hong Kong Property Services (Consultancy) Limited and Hong Kong Property Services (Investment) Limited and the benefits of the Sale Loan and the Lender's Loan.

Hong Kong Property Companies are Hong Kong companies carrying on business in Hong Kong under the brand name of "Hong Kong Properties" and beneficially owned by the Vendor. The principal business activities of Hong Kong Property Services (Agency) Limited are real estate broking, agency and marketing in Hong Kong whereas those of Hong Kong Property Services (Consultancy) Limited and Hong Kong Property Services (Investment) Limited are the provision of shops space to Hong Kong Property Services (Agency) Limited for its carrying out of its business.

#### 3. Consideration:

A total of HK\$70,000,007, which was reached after arm's length negotiations based on the value of brand name of "Hong Kong Properties" and the future synergy with the Company's existing real estate agency business after the Acquisition. Such consideration will be satisfied as to HK\$7 (for the purchase of the entire issued shares of the Hong Kong Property Companies and the entire benefit of the Sale Loan) in cash and as to the balance of HK\$70,000,000 (for the purchase of the entire benefit of the Lender's Loan) by the issue of the Note in favour of the Lender, or as it may direct.

In the event that the Note is not issued as a result of non-fulfillment of the conditions (a) to (c) set out in the section headed "Conditions and Completion of the Acquisition" below and the Vendor and the Lender elect to proceed with the completion of the Acquisition, an interest accruing at the rate of 6 per cent. per annum on the sum of HK\$70,000,000 shall be paid every three months and an adjusted consideration calculated in accordance with the following formula shall be paid to the Lender on the second anniversary of the completion of the Acquisition:

$$AP = \frac{HK\$70,000,000 \times CP}{1.2}$$

(where "AP" is such adjusted consideration and "CP" is the average of the respective closing prices of the Shares on the Stock Exchange on the 14 trading days immediately prior to the second anniversary of the completion date of the Acquisition)

Provided always that if the sum so determined in accordance with the above formula is less than HK\$70,000,000, such adjusted consideration shall be HK\$70,000,000 and if the sum so determined in accordance with the above formula exceeds 183.9% of HK\$70,000,000, such adjusted consideration shall be a sum equal to 183.9% of HK\$70,000,000.

The Directors consider that the terms of the Acquisition, including the total amount of the consideration, are fair and reasonable and in the best interests of the Company and the Shareholders.

The principal terms of the Note to be issued are as follows:

##### (a) Issuer:

The Company

##### (b) Noteholder:

The Vendor, which has been nominated by the Lender to take up the Note.

##### (c) Maturity Date:

Unless previously converted, the outstanding principal amount of the Note (together with all unpaid and accrued interest) will be repaid by the Company upon its maturity on the second anniversary of the date of issue of the Note together with accrued interest.

##### (d) Interest:

Six per cent. per annum, which will be payable once every three months in arrears on the principal amount of the Note outstanding from time to time.

##### (e) Conversion Price:

HK\$1.20 per Share, subject to adjustment in accordance with the terms of the Note. The conversion price was determined after arm's length negotiations. The initial conversion price of HK\$1.20 represents a premium of 22.4 per cent. to the closing price of the Shares of HK\$0.98 on the Stock Exchange at 12:30 p.m. on 10th April 2000, the last trading day preceding the suspension in trading of the Shares and a premium of 32.6 per cent. to the average closing price of the Shares of HK\$0.905 on the Stock Exchange for the last ten consecutive trading days ended on 10th April 2000.

##### (f) Transferability:

The Note may only be assigned or transferred to any holding company, any subsidiary or any subsidiary of any holding company of the Noteholder or, if required by the Stock Exchange, with the prior approval of the Stock Exchange, to any other party. Subject to the said restrictions, the Note may be assigned or transferred in whole or in part of its principal amount outstanding.

##### (g) Conversion Rights:

The outstanding principal amount of the Note or any part thereof (in amounts not less than HK\$5,000,000) may be converted into Shares at any time prior to the maturity date at the relevant conversion price (which is initially HK\$1.20 per Share, subject to adjustment). No fraction of a Share will be issued on conversion but a cash payment in Hong Kong dollars will be made to the Noteholder in respect of such fraction (except in cases where any such cash payment would amount to less than HK\$10).

The Noteholder must convert the whole of the outstanding amount under the Note into Shares if the closing price of the Shares on the Stock Exchange is 35 per cent. above the prevailing conversion price for any ten consecutive dealing days.

Currently, the Lender does not have any share interests in the Company. Assuming that the entire principal amount of HK\$70,000,000 of the Note is fully converted at the initial conversion price and there is no other issue of Shares before full conversion of the Note, a total of 58,333,333 new Shares will be issued to the Lender pursuant to the general mandate granted to the Directors in the special general meeting of the Company held on 17th February 2000, which represents approximately 9.81 per cent. and 8.94 per cent. of the current and enlarged issued share capital of the Company, respectively.

##### (h) Right of First Refusal:

Subject to the requirements of the Listing Rules and other applicable rules and laws and regulations, in the event that there is a Proposed Offer to any third parties at a price per Share which is lower than the conversion price (except pursuant to an exercise of the warrants of the Company in existence as at the date of issue of the Note or any share options granted or to be granted under the share option scheme of the Company in existence as at the date of issue of the Note or issue of new Shares by way of rights issue or open offer to the existing Shareholders), the Noteholder shall have the right of first refusal of such Proposed Offer.

##### (i) Ranking of Shares to be Issued Upon Conversion:

Conversion Shares will rank pari passu in all respects with all other Shares in issue on the date of the conversion notice and will be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

##### (j) Voting:

The Noteholder will not be entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being the Noteholder.

##### (k) Listing of the Note:

The Company will not make any application for listing of, or permission to deal in, the Note on the Stock Exchange or any other stock exchange but will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

##### (l) Board Representation:

Upon full conversion of the Note, the Noteholder is entitled at any time to nominate one representative to act as a non-executive director of the Company.

The Company undertakes to notify the Stock Exchange without delay upon any transfer of the Note in whole or in part to or for the benefit of any connected person (as defined under the Listing Rules).

#### 4. Conditions and Completion of the Acquisition:

Completion of the Acquisition will be conditional on the following:

(a) if required, the Stock Exchange having approved the issue of the Note;

(b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and

(c) if required, the Bermuda Monetary Authority having approved the issue of the Note and the Conversion Shares.

The Company shall use its best endeavours to ensure that the conditions precedent described above will be fulfilled on or before 30th June 2000 provided that the Vendor and the Lender shall have the absolute right to waive any of the conditions precedent set out above. It is the intention of the parties to the Acquisition that notwithstanding non-fulfillment of any of the conditions precedent above, the parties to the Acquisition shall proceed to completion subject to any conditions which either the Vendor or the Lender shall impose.

Notwithstanding the above conditions, the Lender shall be entitled to receive a legal opinion (in a form satisfactory to it) issued by a firm of Bermudian lawyers confirming that the Company has been duly incorporated and is in good standing and the Sale and Purchase Agreement and the Note constitute binding and enforceable obligations of the Company.

#### 5. General Information of the Group:

The Group is principally engaged in real estate agency, broking and marketing in Hong Kong and operation of a property and e-commerce portal.

#### 6. Reasons and benefits of the Acquisition:

The Acquisition provides an opportunity for the Group to gain a wider market presence in Hong Kong to facilitate its future growth. It is anticipated that operational synergies will be realized from the Acquisition. With the additional 24 shops of Hong Kong Property Companies to be included in the Group's existing 148 shops portfolio, further economies of scale can be realized. There will be also cost savings opportunities for the Group in relation to "over-lapping" district shops. In addition, the Acquisition enables the Group to use the Hong Kong Property Companies as a vehicle for further mergers and acquisitions in Hong Kong and overseas in the future. It is presently intended that the Acquisition is a first step for the Group to develop more brand names in the real estate agency business. The Directors therefore are of the opinion that the Acquisition is in the best interests of the Company and its Shareholders as a whole.

### B. MIDLAND CYBER SUBSCRIPTION AGREEMENT DATED 10TH APRIL 2000

The principal terms of the Midland Cyber Subscription Agreement are as follows:

#### 1. Parties:

##### Issuer:

Midland Cyber, a company incorporated in Hong Kong and wholly owned by the Company.

##### Subscriber:

Hong Kong Property Services (Holdings) Limited, a company incorporated in Hong Kong and wholly owned by Cheung Kong. Each of the Subscriber and Cheung Kong is an independent third party not connected with any of the directors, substantial shareholders or chief executives of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

##### Guarantor:

The Company, which guarantees the performance of the obligations of Midland Cyber under the Midland Cyber Subscription Agreement.

#### 2. Midland Cyber Subscription Shares:

Under the Midland Cyber Subscription Agreement, 20 per cent. of the issued share capital of Midland Cyber immediately after and as enlarged by the Midland Cyber Subscription will be issued to and subscribed by the Subscriber at the price of HK\$40,000,000 at completion of the Sale and Purchase Agreement.

##### Midland Cyber Option Shares:

The Subscriber is also granted the Midland Cyber Option to subscribe for 5% of the issued share capital of Midland Cyber immediately prior to the Possible Midland Cyber IPO at the price which will be at a 15% discount to the said initial public offer price of the Midland Cyber Shares, assuming that the Possible Midland Cyber IPO is materialized. The Midland Cyber Option may be exercised within the period commencing on the date when the Midland Cyber Shares are first offered for public subscription or sale and ending on the date when such initial public offer is closed. Both the Midland Cyber Subscription Shares and the Midland Cyber Option Shares will rank pari passu in all respects with all other Midland Cyber Shares for the time being in issue.

It should be noted that the Possible Midland Cyber IPO is still in an early stage and public investors should exercise caution in dealing with the Shares.

#### 3. Completion of Midland Cyber Subscription:

Upon completion of the Midland Cyber Subscription and assuming that the Midland Cyber Option has not been exercised, the remaining 80 per cent. of the enlarged issued share capital of Midland Cyber will be owned by the Company.

Completion of the Midland Cyber Subscription Agreement is conditional upon simultaneous completion of the Sale and Purchase Agreement, upon which the Midland Cyber Subscription Price in the sum of HK\$40,000,000 will be paid by the Subscriber in cash.

#### 4. Midland Cyber Subscription Price and Midland Cyber Option Price:

The Midland Cyber Subscription Price and the Midland Cyber Option Price are determined after arm's length negotiations between the Company and the Subscriber and according to future support from the Subscriber in respect of technology, customer base and business operation.

#### 5. Reasons for the Midland Cyber Subscription and Midland Cyber Options and Use of Proceeds:

It is intended that the net proceeds from the Midland Cyber Subscription in the amount of HK\$40,000,000 and (if applicable) the exercise of the Midland Cyber Option will be applied for the development of Internet business, particularly in property and e-commerce portal.

The Midland Cyber Subscription and the Midland Cyber Option will strengthen the Group's capital base and enhance the Group's continuing diversification and transformation from the Group's traditional business into internet businesses. Furthermore, the Board believes the alliance with the Subscriber may also enhance the strategic co-operation opportunities between the parties in other Internet related business in the future. In addition, the Board is of the view that the improvements in the net assets value of the Company and the good combination of physical and virtual business of the Group with the assistance of a strong strategic partner as described above are beneficial to the Company and the Shareholders as a whole.

#### 6. Further Information on Midland Cyber:

Midland Cyber is principally engaged in internet business which provides property information and e-commerce transactions.

#### 7. Board Representation:

The Subscriber is entitled to nominate one additional representative to act as a non-executive director of Midland Cyber. Currently, there are three directors in the board of Midland Cyber.

#### 8. Other Term:

The Subscriber has the right to require the Company to purchase the Midland Cyber Subscription Shares at the Subscription Price in the event that the Possible Midland Cyber IPO is not materialized within 2 years of the completion of the Midland Cyber Subscription.

### C. SHAREHOLDING STRUCTURE

The impact of the Acquisition and full conversion of the Note on the shareholdings in the Company are as follows:

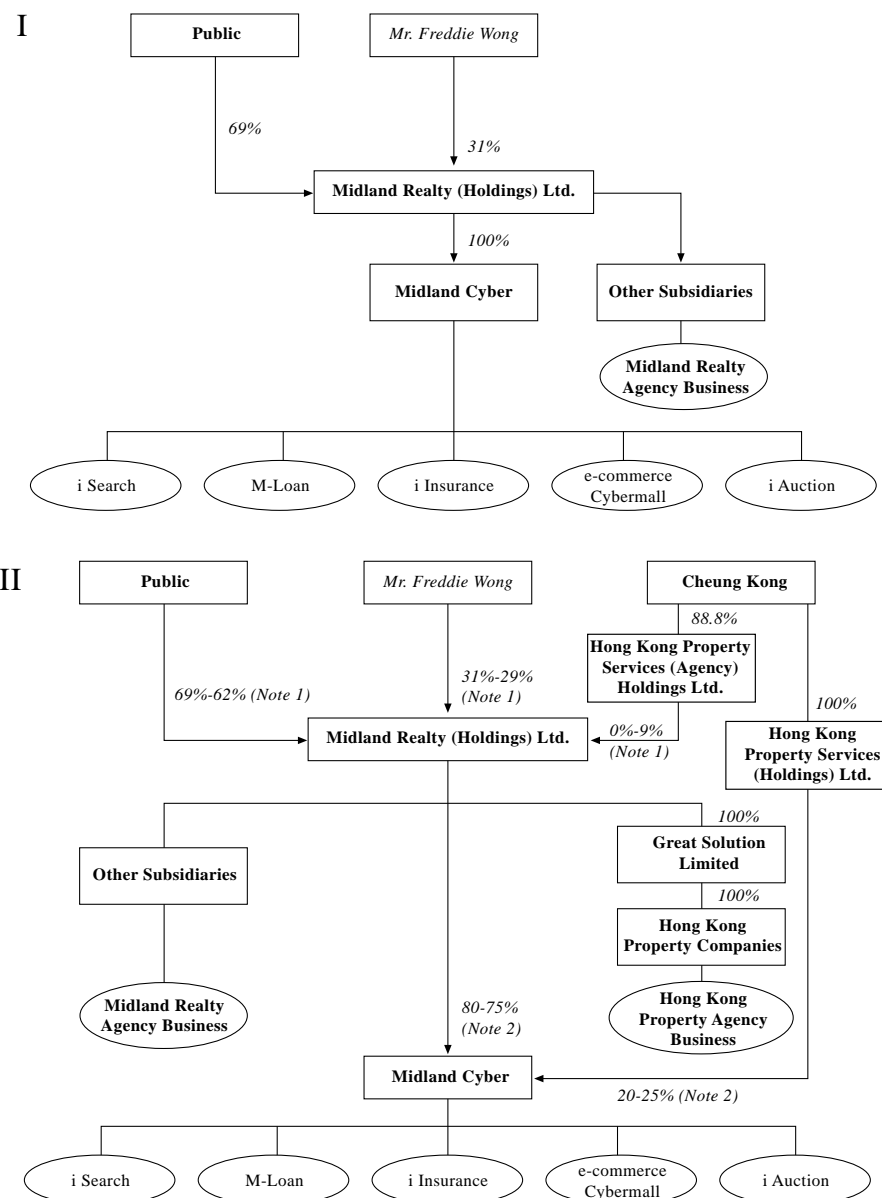
	Shareholding in the Company as at the date of this announcement and upon completion of the Acquisition (Note 1)	Shareholding in the Company upon full conversion of the Note (Note 2)
Mr. Wong Kin Yip, Freddie	31%	29%
Hong Kong Property Services (Agency) Holdings Limited	0%	9%
Public Shareholders	69%	62%
	<b>100%</b>	<b>100%</b>

#### Notes:

(1) The completion of the Acquisition will not change the shareholdings of the above shareholders in the Company on the assumption that the Note is not converted at the completion date of the Acquisition and there is no new issue of Shares prior to such completion.

(2) Assuming that the Note is fully converted at the initial conversion price of HK\$1.2 and there is no new issue of Shares prior to such conversion.

The corporate structures of the Group immediately (I) before and (II) after the Acquisition and the Midland Cyber Subscription are as follows:



#### Notes:

1. Before the conversion of the Note, the shareholding percentages of Mr. Freddie Wong and the public are 31% and 69% respectively. Upon full conversion of the Note, Hong Kong Property Services (Agency) Holdings Ltd. (which was nominated by the Lender to take up the Note) will hold 9% and the shareholding percentages of Mr. Freddie Wong and the public will decrease to 29% and 62% respectively.

2. Before exercise of the Midland Cyber Option, the shareholding percentages of the Company and the Subscribers are 80% and 20% respectively. Upon the Subscriber's exercise of the Midland Cyber Option, the shareholding percentage of Hong Kong Property Services (Agency) Limited will increase from 20% to 25% and that of Midland Realty (Holdings) Ltd. will decrease from 80% to 75%.

### D. GENERAL

The Shares were suspended from trading on the Stock Exchange from 2:30 p.m. on 10th April 2000 at the request of the Company. The Company has made an application to the Stock Exchange to resume trading of the Shares on the Stock Exchange from 10:00 a.m. on 13th April 2000.

The terms used in this announcement have the following meanings:

"Acquisition"	the purchase of the entire issued shares of the Hong Kong Property Companies, the Sale Loan and the Lender's Loan
"Board"	the board of Directors
"Cheung Kong"	Cheung Kong (Holdings) Limited, whose securities are listed on the Stock Exchange
"Company"	Midland Realty (Holdings) Limited
"Conversion Shares"	the Shares to be issued by the Company upon exercise by the Noteholder of the conversion rights under the Note
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong Property Assets"	the entire issued shares of Hong Kong Property Companies, the Sale Loan and the Lender's Loan collectively, Hong Kong Property Services (Agency) Limited, Hong Kong Property Services (Consultancy) Limited and Hong Kong Property Services (Investment) Limited
"Hong Kong Property Companies"	the loan and interest thereon due from Hong Kong Property Services (Agency) Limited to the Lender on completion of the Acquisition. As at 28th February, 2000, the total amount of loan and interest thereon due from Hong Kong Property Services (Agency) Limited to the Lender was approximately HK\$71,412,868, which is not anticipated by the Company to change materially on completion of the Acquisition
"Lender's Loan"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules"	Midland Realty Cyber Agency Limited, a company incorporated in Hong Kong and wholly owned by the Company
"Midland Cyber"	the option granted to the Subscriber to further subscribe for the Midland Cyber Option Shares
"Midland Cyber Option"	the subscription price per Midland Cyber Option Share, which will be at a 15% discount to the offer price under the Possible Midland Cyber IPO
"Midland Cyber Option Price"	such number of Midland Cyber Shares representing 5% of the entire issued share capital of Midland Cyber immediately prior to the Possible Midland Cyber IPO
"Midland Cyber Option Shares"	the ordinary shares of HK\$1.00 each in the capital of Midland Cyber
"Midland Cyber Shares"	the subscription by the Subscriber of the Midland Cyber Subscription Shares under the Midland Cyber Subscription Agreement
"Midland Cyber Subscription"	the subscription agreement dated 10th April, 2000 between the Company, Midland Cyber and the Subscriber in relation to the Midland Cyber Subscription
"Midland Cyber Subscription Agreement"	HK\$40,000,000
"Midland Cyber Subscription Price"	such number of Midland Cyber Shares representing 20 per cent. of the issued share capital of Midland Cyber as enlarged after the Midland Cyber Subscription
"Midland Cyber Subscription Shares"	the person who is for the time being the registered holder of the Note
"Noteholder"	the convertible note in the principal sum of HK\$70,000,000 to be issued by the Company to the Lender, or as it may direct
"Note"	the possible initial public offering of Midland Cyber Shares on a recognised stock exchange
"Possible Midland Cyber IPO"	any offer by the Company to issue and allot new Shares, options or warrants to subscribe for new Shares
"Proposed Offer"	the agreement dated 10th April, 2000 between, inter alia, the Vendor, and the Purchaser and the Lender in relation to the sale and purchase of the Hong Kong Property Assets
"Sale and Purchase Agreement"	the shareholder's loan due from Hong Kong Property Services (Investment) Limited to the Vendor on completion of the Acquisition. As at 28th February, 2000, the amount of shareholder's loan due from Hong Kong Property Services (Investment) Limited to the Vendor was approximately HK\$4,995,564 which amount is not anticipated by the Company to change materially on completion of the Acquisition
"Sale Loan"	holders of the Shares
"Shareholders"	issued shares of HK\$0.10 each in the share capital of the Company
"Shares"	The Stock Exchange of Hong Kong Limited
"Stock Exchange"	