



CONTENTS

	<i>Pages</i>
Corporate Information	1
Notice of Annual General Meeting	2 – 4
Financial Highlights	5
Chairman’s Statement	6 – 8
Management Discussion and Analysis	9 – 10
Report of the Directors	11 – 19
Report of the Auditors	20
Consolidated Profit and Loss Account	21
Consolidated Balance Sheet	22
Balance Sheet	23
Consolidated Cash Flow Statement	24
Notes to the Accounts	25 – 42
Group Structure	43 – 45

DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie (*Chairman*)
Mr FUNG Yui Sum
(*Managing Director and Deputy Chairman*)
Mr LING Kwok Fai, Joseph
Ms IP Kit Yee, Kitty
Mr AU Son Yiu

Non-Executive Directors

Mr CHUNG Kam Wing, Calvin
Mr KAN Chung Nin, Tony
Mr LAI Dominic

COMPANY SECRETARY

Mr LING Kwok Fai, Joseph, ACIS

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11th Floor
United Chinese Bank Building
31-37 Des Voeux Road Central
Hong Kong

AUDITORS

Coopers & Lybrand
Certified Public Accountants
23rd Floor Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Belgian Bank
Dao Heng Bank Limited
International Bank of Asia Limited
Standard Chartered Bank
Bank of China

HONG KONG LEGAL ADVISERS

Iu, Lai & Li
9th and 15th Floors
The Bank of East Asia Building
10 Des Voeux Road Central
Hong Kong

BERMUDA LEGAL ADVISERS

Conyers, Dill & Pearman
3408 Two Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH REGISTRARS AND TRANSFER OFFICE

Abacus Share Registrars Limited
10th Floor Caroline Centre
28 Yun Ping Road
Causeway Bay
Hong Kong



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the Company will be held at Ivy Room, 10th Floor, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on 28 May 1996 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 1995;
2. To declare a final dividend;
3. To re-elect Directors;
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration;

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

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

"**Relevant Period**" means the period from the passing of this resolution until whichever is the earlier of:-

- (i) the conclusion of the next annual general meeting of the Company;



NOTICE OF ANNUAL GENERAL MEETING

(Continued)

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

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

6. “THAT:-

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

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

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



NOTICE OF ANNUAL GENERAL MEETING

(Continued)

7. “THAT subject to the passing of resolution nos. 5 and 6, the aggregate nominal amount of shares which are to be repurchased by the Company pursuant to the authority granted to the Directors of the Company as mentioned in resolution no. 6 shall be added to the aggregate nominal amount of share capital that may be allotted or agreed to be allotted by Directors of the Company pursuant to resolution no. 5.”

By order of the Board
Ling Kwok Fai, Joseph
Company Secretary

Hong Kong, 25 April 1996

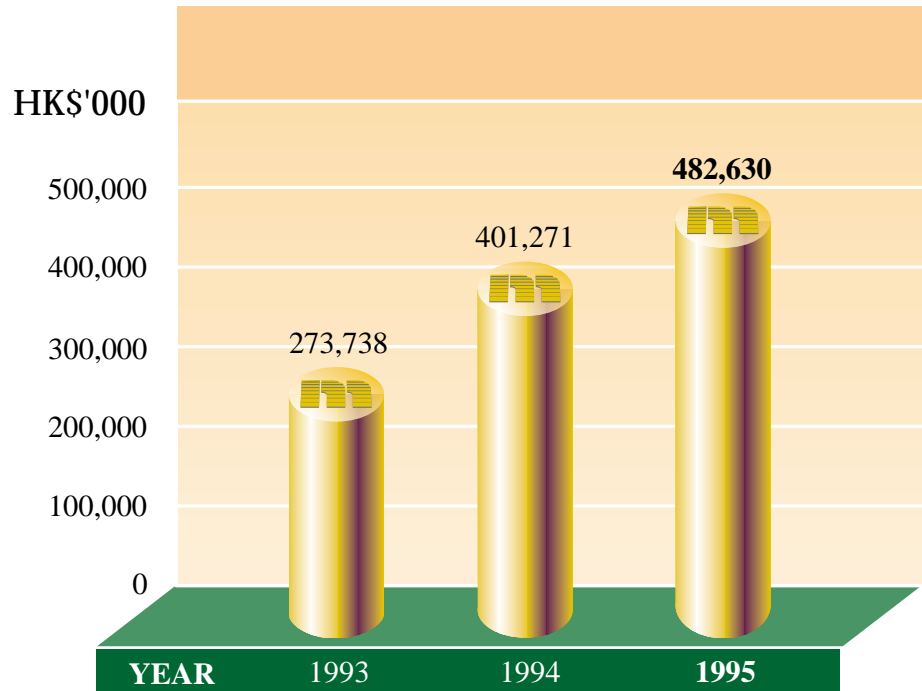
Notes:-

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll or vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong Branch Registrars, Abacus Share Registrars Limited at 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong, together with a power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from Wednesday, 22 May 1996 to Tuesday, 28 May 1996, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's Hong Kong Branch Registrars, Abacus Share Registrars Limited at 10th Floor, Caroline Centre, 28 Yun Ping Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Tuesday, 21 May 1996.

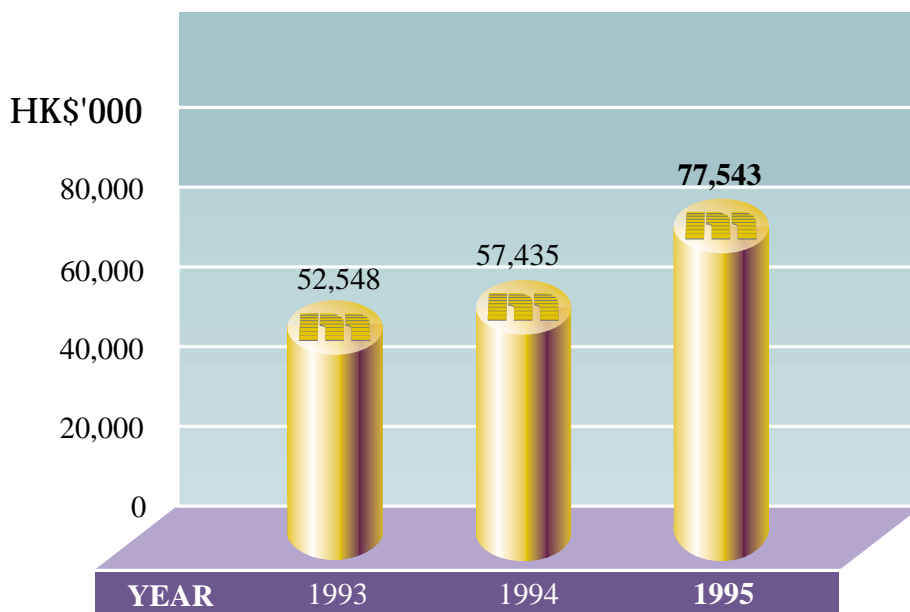


FINANCIAL HIGHLIGHTS

TURNOVER



PROFIT ATTRIBUTABLE TO SHAREHOLDERS





CHAIRMAN'S STATEMENT



Chairman – Mr Wong Kin Yip, Freddie

On behalf of the Group, it gives me great pleasure to present to the shareholders the audited consolidated results for the year ended 31 December 1995.

FINANCIAL REVIEW

During the year under review, the Group continued to embark on its rapid branch expansion strategy with increased professionalism and registered yet another year of satisfactory results. Consolidated turnover increased significantly by 20% to HK\$482.6 million.

Consolidated profit attributable to shareholders increased by 35% to HK\$77.5 million. Profit margin improved 2% as a result of tighter cost control and economies of scale.

Earnings per share amounted to 44 cents. Subject to the approval of shareholders at the forthcoming annual general meeting, the Directors recommend a final dividend of 13.5 cents per share.

The favourable growth in income was achieved at the back of one of Hong Kong's worst recessionary periods. The year 1995 saw the property market continuing in one of its worst slumps with several real estate companies reducing in size, being acquired by other companies or closing shop altogether.

Despite such dismal market conditions, the Group continued to invest heavily in expanding its branch network and in return performed exceedingly well with above average earnings and improved market share.



CHAIRMAN'S STATEMENT

(Continued)

BUSINESS REVIEW

Midland Realty (Holdings) Limited hereinafter referred to as "Midland Realty" successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in June 1995, marking a new era in the corporate development of the Group.

Thirty one new branches were opened in 1995, bringing the Group's total number of branches to 84 as at 31 December 1995.

Benefits derived from the Group's branch networking include capturing economies of scale, exploring untapped markets and maximising sales through added convenience to clients who wish to sell and buy in different districts using Midland Realty as a "one stop" agent.

The management team has been very effective and efficient in responding to all market demands. The Directors believe that by maintaining its reputation for quality servicing and at the same time continually expanding its network of branches will allow the Group to increase its market share.

According to statistics issued by the Hong Kong Land Registry, 1995 saw the lowest number of property transactions recorded in the past 5 years. Despite this decreased figure, the Group was able to achieve healthy growth in both turnover and profit.

The Directors attribute the Group's success in 1995 to the following factors:

- market recognition of the Midland Realty name as one of the largest and longest-established real estate agencies in Hong Kong
- an extensive branch network with wide geographical coverage
- an experienced and efficient management team that readily responds to market changes
- a successful human resources management system
- stringent internal controls and close management supervision
- the adoption of a distinct corporate culture
- diverse services spanning all sectors of the property broking market thus reducing the Group's risk to cyclical downturns in specific market segments

BUSINESS PLAN AND PROSPECTS

In accordance with the stated use of funds raised from its issue, the Group has cautiously and strategically opened an additional 22 new branches since its listing date to the end of 1995 and 18 new branches from 1 January 1996 to 15 April 1996. The Group has also acquired Rooms 2505 to 2508 of Worldwide House in Central as new headquarters to house its rapidly expanding finance, management and administration operations. In addition, more shop premises were purchased as future branch locations.

The Group has also established a representative office in Shanghai via an associated company in Guangzhou to further expand the Group's property agency business in the People's Republic of China.



CHAIRMAN'S STATEMENT

(Continued)

The Group continues to be very confident of its real estate agency business. According to the Hong Kong Land Registry, the number of properties transacted from 1991-1995 have declined steadily with 1995 reporting the lowest number of transactions. In connection with this and conventional business cycle trends, the Directors believe that the property market has finally bottomed-out and expect it to rebound back in line with the improving economy.

Other signs adding to the uplifting confidence in the property market include the generally improving economy; the limited supply and increasing prices of new flats being offered by developers; the increased demand in residential properties; the lower mortgage rates; a more relaxed bank lending policy towards home buyers; and a reduction in the stamp duty rate on properties below HK\$3.5 million. Further encouragement also stems from the Directors' confidence in the Group's ability to meet tighter regulations as imposed by the Estate Agents Bill.

The Group continues actively to seek all possible means of enhancing its business to generate synergy to its core business. Vertical expansion could be achieved through the acquisition of other businesses that complement real estate broking, while horizontal expansion could be achieved through increased branch networking.

The Group is well positioned for further expansion, looking optimistically towards an improving property market. In the absence of any unforeseen circumstances, the Directors are confident of its expanding property agency business and its increasing market share. In conclusion, the Group would like to sincerely thank all of its customers, employees and shareholders for their invaluable support and continued loyalty – all of which has made Midland Realty a remarkable success.

By order of the Board
Mr Wong Kin Yip, Freddie
Chairman

Hong Kong, 25 April 1996



MANAGEMENT DISCUSSION AND ANALYSIS



*Managing director and deputy chairman
– Mr Fung Yui Sum*

LIQUIDITY AND FINANCIAL RESOURCES

The Group raised approximately HK\$50.2 million, net of expenses, from the issuance of 50 million new shares upon the listing of the Company's shares on the Stock Exchange on 8 June 1995. Proceeds from the new issue have been applied as follows:

	<i>HK\$</i>
Acquisition of Rooms 2505 & 2506 Worldwide House	16,328,000
Acquisition of branch premises in strategic locations	4,700,000
Capital expenditure for setting up new branches	9,528,000
Additional working capital	11,200,000
	<hr/>
	41,756,000
	<hr/> <hr/>

The remaining balance of proceeds has been earmarked to be applied for the acquisition of additional branch premises in strategic locations.

As at 31 December 1995, the Group's cash balance totalled HK\$118.6 million, with HK\$30.8 million set aside for dividend distribution in June 1996.

The Group generally finances its operations with internally-generated cashflow and banking facilities provided by its principal bankers. The Group currently has aggregate composite banking facilities of approximately HK\$56.2 million with various banks.



MANAGEMENT DISCUSSION AND ANALYSIS

(Continued)

CAPITAL STRUCTURE

As at 31 December 1995, 200 million ordinary shares were in issue with total shareholders' funds of the Group amounting to HK\$173.9 million.

In November 1995, share options were granted to five directors of the Group under the share option scheme approved in May 1995. Two of the Directors exercised this option in March and April of 1996, resulting in the issue of 4.5 million shares of HK\$0.10 each. If the remaining share options are fully exercised, another 11.5 million shares of HK\$0.10 each will be issued.

Pursuant to a placing and subscription agreement dated 29 January 1996, the Company allotted and issued 24 million new shares on 14 February 1996, raising approximately HK\$62.2 million. The proceeds will be used to finance further expansion and investment plans (including the acquisition of Rooms 2507 & 2508 of Worldwide House) and for general working capital purposes.

SEGMENTAL ANALYSIS

The Group principally handles secondary sales and rental of all types of properties, namely residential, commercial (comprising principally of offices and shops) and industrial. Their contributions to the Group's turnover and operating profit are as follows:

	Turnover <i>HK\$'000</i>	Contribution to operating profit <i>HK\$'000</i>
Residential property broking services	430,497	91,683
Industrial and commercial broking services	47,931	4,398
Real estate marketing services	4,202	(1,105)
	<u>482,630</u>	<u>94,976</u>

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 1995, the Group employed 827 full time employees and agents of which 663 were sales executives. The Group remunerates its employees and agents largely based on industry practice where sales personnel receive fixed salaries and commission payments and non-sales personnel receive fixed salaries and discretionary bonus payments paid semi-annually. All payments made to employees and agents remain highly competitive. Other staff benefits include medical and education subsidies, plus a share option scheme for both the Directors and the employees.



REPORT OF THE DIRECTORS

The Directors present herewith their report and the accounts of the Company for the period from 7 October 1993 (date of incorporation) to 31 December 1995 and of the Group for the year ended 31 December 1995. The Company remained inactive and had no results, assets and liabilities until 12 May 1995.

GROUP REORGANISATION

The Company was incorporated as an exempted company in Bermuda on 7 October 1993 under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme intended to rationalise the group structure in preparation for a listing of the shares in the Company on the Stock Exchange, the Company became the holding company of the subsidiaries and an associated company listed on pages 43 to 45 on 12 May 1995.

The shares of the Company were listed on the Stock Exchange on 8 June 1995.

ACCOUNTS

The results of the Group for the year are set out in the consolidated profit and loss account on page 21.

The state of affairs of the Group and of the Company as at 31 December 1995 are set out in the balance sheets on pages 22 and 23 respectively.

The cash flows of the Group for the year are set out in the statement on page 24.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the business of real estate broking of all types of properties. All the Group's turnover and results are derived from activities carried out in Hong Kong.

An analysis of the Group's turnover and contribution to operating profit by activity for the year is set out on page 10.

DIVIDENDS

The Directors recommend the payment of a final dividend of HK\$0.135 per share totalling HK\$30,848,000 in respect of the year ended 31 December 1995.

RESERVES

The amounts and particulars of material transfers to and from reserves during the period are set out in note 15 on page 38.



REPORT OF THE DIRECTORS

(Continued)

DONATIONS

Donations made by the Group during the year amounted to HK\$421,000.

FIXED ASSETS

The movements in fixed assets of the Group during the year are set out in note 10 on page 33.

SHARE CAPITAL AND SHARE OPTIONS

The movements in share capital of the Company and share options granted by the Company during the period are set out in note 14 on pages 36 and 37.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 1995 are set out on pages 43 to 45.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group's bank loans and overdrafts as at 31 December 1995 are repayable over the following periods:-

	<i>HK\$'000</i>
On demand or not exceeding one year	3,479
More than one year but not exceeding two years	3,913
More than two years but not exceeding five years	6,635
	<hr/>
	14,027
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REPORT OF THE DIRECTORS

(Continued)

RESULTS, ASSETS AND LIABILITIES

The results, assets and liabilities of the Group for the last five financial years are as follows:-

	1991	1992	1993	1994	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to the members	<u>23,027</u>	<u>25,431</u>	<u>52,548</u>	<u>57,435</u>	<u>77,543</u>
Total assets	70,569	70,136	155,036	186,346	300,646
Total liabilities	<u>43,356</u>	<u>31,339</u>	<u>63,614</u>	<u>89,932</u>	<u>126,738</u>
Net assets	<u>27,213</u>	<u>38,797</u>	<u>91,422</u>	<u>96,414</u>	<u>173,908</u>

The results, assets and liabilities of the Group for each of the four years ended 31 December 1994 have been prepared on a combined basis as if the group structure, at the time when the corporate reorganisation scheme as referred to in note 1 to the accounts was completed, had been in existence throughout the years concerned.

The results, assets and liabilities of the Group for the year ended 31 December 1995 have been prepared on the basis set out in note 2(a) (i) to the accounts.

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Chairman's Statement on pages 6 to 8.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentage of sales and purchases attributable to the Group's five largest customers and suppliers is less than 30% of total sales and purchases respectively during the year and therefore no additional disclosure with regard to major customers and suppliers is made.

DISTRIBUTABLE RESERVES

At 31 December 1995, the distributable reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$114,359,000.



REPORT OF THE DIRECTORS

(Continued)

DIRECTORS

The Directors who held office during the period and up to the date of this report were:-

Mr WONG Kin Yip, Freddie	- appointed 19 October 1993
Mr FUNG Yui Sum	- appointed 19 October 1993
Mr LING Kwok Fai, Joseph	- appointed 19 October 1993
Ms IP Kit Yee, Kitty	- appointed 19 October 1993
Mr AU Son Yiu	- appointed 13 October 1994
Mr CHUNG Kam Wing, Calvin *	- appointed 23 November 1993
Mr KAN Chung Nin, Tony *	- appointed 13 October 1994
Mr LAI Dominic *	- appointed 23 November 1993
Mr CHEUNG Kam Shing, Victor	- appointed 19 October 1993 and resigned 19 November 1993
Mr HAU Kwan Ngan, Charles *	- appointed 23 November 1993 and resigned 1 March 1995
Mr John Anthony ELLISON *	- appointed 19 October 1993 and resigned 15 June 1995
Mr John Charles Ross COLLIS *	- appointed 19 October 1993 and resigned 15 June 1995
Mr Donald Harrigan MALCOLM * (alternate to Mr John Anthony ELLISON and Mr John Charles Ross COLLIS)	- appointed 19 October 1993 and resigned 15 June 1995

* *Non-executive directors*

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

The biographical details of the Directors of the Company are set out as follows:-

Executive directors

Mr WONG Kin Yip, Freddie, aged 46, is the co-founder and Chairman of the Group. He is responsible for strategic planning and day-to-day overall management of the Group. He has almost 24 years of experience in the real estate broking business.

Mr FUNG Yui Sum, aged 44, is the co-founder and Managing Director and Deputy Chairman of the Group. He is responsible for overseeing the divisions dealing with industrial, commercial and investment property broking. He also manages the Group's operations in the People's Republic of China and overseas markets. In addition, he was the chairman of the practice committee of the Society of Hong Kong Real Estate Agents Limited ("SHKREA") (1992-1996) responsible for enhancing the image and standards of the real estate broking industry in Hong Kong. He is also currently elected as the vice-president of SHKREA (1996-1998). He was formerly a guest lecturer of the real estate courses organised by the City Polytechnic of Hong Kong between 1991 and 1993. He has over 24 years of experience in the real estate broking business.

DIRECTORS (cont'd)

Mr LING Kwok Fai, Joseph, aged 40, is the executive director and company secretary of the Group with overall corporate and senior management responsibilities overseeing the finance and operation of the Group. He is an associate member of the Institute of Chartered Secretaries and Administrators and the H.K. Institute of Company Secretaries. He has over 16 years' experience in accounting, finance and administration.

Ms IP Kit Yee, Kitty, aged 36, is the executive director of the Group overseeing the areas of human resources, recruitment, training, administration, expansion of branch network and management information systems. She is also responsible for formulating plans and policies to improve effectiveness in operations and controls of the Group.

Mr AU Son Yiu, aged 50, is a registered investment adviser and has extensive experience in the securities industry. He is a dealing director of HLG Securities (HK) Ltd, a director of China Point Stock Brokers Ltd. and I & P Securities Ltd., a consultant to Dao Heng Securities Limited and a non-executive director for several public companies listed on the Stock Exchange. In addition, he was an ex-deputy chairman of the Hong Kong Securities Clearing Co. Ltd. (1992 – 1994) and ex-council member of the Stock Exchange (1988 – 1994).

Non-executive directors

Mr CHUNG Kam Wing, Calvin, aged 49, LL.B., is a practising solicitor in Hong Kong and Vancouver B.C., Canada. He has been a partner of the Hong Kong law firm of Lawrence Ong & Chung since May 1989. In March 1986, he was called to the Bar of British Columbia and subsequently became a partner of the Vancouver firm of Alexander, Holburn, Beaudin & Lang in December 1989.

Mr KAN Chung Nin, Tony, aged 45, LL.B., is a practising solicitor in Hong Kong and the founder and senior partner of the Hong Kong law firm of Messrs Tony Kan & Co since 1984. He was appointed by the Chinese Ministry of Justice as a China Appointed Attesting Officer in June 1993. He has been an elected member of the District Board of Shatin since 1985 and is presently a councillor of the Regional Council. Mr Kan also serves in many prominent social organisations, such as Yan Oi Tong (a Charitable Organisation in the New Territories, of which he was the chairman in 1988) and Rotary Club of Shatin (of which he was the president in 1993). He was awarded the Badge of Honour by Governor of Hong Kong for his social contributions in 1989. Mr Kan was appointed Hong Kong District Affairs Adviser by Hong Kong Xin Hua News Agency in 1994.

Mr LAI Dominic, aged 49, is a senior partner of the Hong Kong law firm of Iu, Lai & Li, legal advisers to the Company on Hong Kong law. He is a practising solicitor in Hong Kong and is also admitted in England, Republic of Singapore, the States of New South Wales and Victoria, Australia. Mr Lai is also a non-executive director of several other public companies listed on the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

During the period, the Company had entered into agreements with the following directors or their controlling companies for the provision of management services by these directors to the Group:-

Directors	Term of service	Expiry date
Mr WONG Kin Yip, Freddie	3 years	30 April 1998
Mr FUNG Yui Sum	3 years	30 April 1998
Mr LING Kwok Fai, Joseph	2 years	31 December 1996
Ms IP Kit Yee, Kitty	2 years	31 December 1996
Mr AU Son Yiu	3 years	5 November 1998

Apart from the above, there are no other similar service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS

During the period, pursuant to a group reorganisation, the Company became the holding company of the companies comprising the Group. Mr WONG Kin Yip, Freddie and Mr FUNG Yui Sum were interested in this transaction to the extent that they had beneficial interests in these companies prior to the reorganisation. In addition, rental expenses amounting to HK\$552,000 was paid to Very Happy Industrial Limited, a company beneficially owned by Mr WONG Kin Yip, Freddie.

Apart from the above, no other contracts of significance in relation to the Company's business to which the Company, its holding company or its subsidiaries was a party, and in which any director had a material interest, subsisted at the end of the period or at any time during the period.

PARTICULARS OF SHARES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

As at 31 December 1995, the Directors, chief executives and their associates had the following interests in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) or as recorded in the register maintained pursuant to Section 29 of the SDI Ordinance:-

	Number of ordinary shares beneficially held	
	Personal interest	Corporate interests
Mr WONG Kin Yip, Freddie	–	102,000,000 <i>(note (a))</i> 24,000,000 <i>(note (b))</i>
Mr FUNG Yui Sum	–	102,000,000 <i>(note (a))</i> 24,000,000 <i>(note (c))</i>

Notes:

- (a) These shares are owned by Rollas Enterprises Limited, a private company in which each of Mr WONG Kin Yip, Freddie and Bright News Limited holds a 50% interest.
- (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 owned by Everchamp Consultants Limited, a private company controlled by Bright News Limited through Bright Coin Trading Limited.
- (d) Bright News Limited is wholly and beneficially owned by the Billy Fung Family Trust, a discretionary trust, the discretionary objects of which include Mr FUNG Yui Sum and his family members.

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



REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' AND CHIEF EXECUTIVES' BENEFITS FROM RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 12 May 1995, a share option scheme was approved by the shareholders of the Company under which the Directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the period, share options to subscribe for 16,000,000 shares were granted to certain directors of the Company. Details of the share options which have been granted as at 31 December 1995 are as follows:-

	Number of shares in the Company comprising the share options granted on	
	2 November 1995 (Note (a))	6 November 1995 (Note (b))
Mr WONG Kin Yip, Freddie	5,000,000	–
Mr FUNG Yui Sum	5,000,000	–
Mr LING Kwok Fai, Joseph	3,000,000	–
Ms IP Kit Yee, Kitty	1,500,000	–
Mr AU Son Yiu	–	1,500,000
	<u>14,500,000</u>	<u>1,500,000</u>

During the period, none of the Directors of the Company had exercised their share options. Subsequent to 31 December 1995, 4,500,000 shares have been allotted and issued under the share option scheme for a total consideration of HK\$5,475,000.

Notes:

- (a) The share options granted on 2 November 1995 are exercisable at HK\$1.21 per share during the period from 2 November 1995 to 2 November 1998.
- (b) The share options granted on 6 November 1995 are exercisable at HK\$1.23 per share during the period from 6 November 1995 to 6 November 1998.

Apart from the above, at no time during the period was the Company, its holding company or its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.



REPORT OF THE DIRECTORS

(Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 1995, the register of interests kept by the Company under section 16(1) of the SDI Ordinance showed that, the Company had not been notified of any interest (other than that of the Directors as disclosed above) amounting to 10% or more of the Company's issued share capital required to be disclosed pursuant to the SDI Ordinance.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the financial period during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution to reappoint the retiring auditors, Coopers & Lybrand, will be put at the annual general meeting.

By order of the Board

Wong Kin Yip, Freddie

Chairman

Hong Kong, 25 April 1996



REPORT OF THE AUDITORS

**Coopers
& Lybrand**

| 容永道會計師事務所

TO THE MEMBERS OF MIDLAND REALTY (HOLDINGS) LIMITED *(Incorporated in Bermuda with limited liability)*

We have audited the accounts set out on pages 21 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1995 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Coopers & Lybrand
Certified Public Accountants

Hong Kong, 25 April 1996



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 1995

	<i>Note</i>	1995 <i>HKS'000</i>	1994 <i>HKS'000</i>
Turnover	<i>3</i>	<u>482,630</u>	<u>401,271</u>
Operating profit	<i>4</i>	94,976	71,311
Share of loss of an associated company		<u>(565)</u>	<u>(413)</u>
Profit before taxation		94,411	70,898
Taxation	<i>5(a)</i>	<u>(16,114)</u>	<u>(12,899)</u>
Profit after taxation		78,297	57,999
Interests of minority shareholders		<u>(754)</u>	<u>(564)</u>
Profit attributable to the members of Midland Realty (Holdings) Limited	<i>7 & 15</i>	<u>77,543</u>	<u>57,435</u>
Earnings per share	<i>9</i>	<u>44 cents</u>	<u>38 cents</u>

The notes on pages 25 to 45 form an integral part of these accounts.
Auditors' report – page 20.



CONSOLIDATED BALANCE SHEET

31 December 1995

	<i>Note</i>	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
Employment of capital			
Fixed assets	<i>10</i>	73,113	65,987
Investments	<i>11</i>	167	478
Current assets	<i>12</i>	227,366	119,881
Deduct:			
Current liabilities	<i>13</i>	113,991	75,341
Net current assets		113,375	44,540
		186,655	111,005
Capital employed			
Share capital	<i>14</i>	20,000	500
Reserves	<i>15</i>	153,908	95,914
Total capital and reserves		173,908	96,414
Minority interests		1,261	3,287
Non-current liabilities	<i>16</i>	11,486	11,304
		186,655	111,005

Approved by the Board of Directors on 25 April 1996

By order of the Board
Wong Kin Yip, Freddie
Director

Fung Yui Sum
Director

The notes on pages 25 to 45 form an integral part of these accounts.
Auditors' report – page 20.



BALANCE SHEET

31 December 1995

	<i>Note</i>	1995 <i>HKS'000</i>
Employment of capital		
Investments	<i>11</i>	108,501
Current assets	<i>12</i>	87,709
Deduct:		
Current liabilities	<i>13</i>	31,179
Net current assets		56,530
		165,031
Capital employed		
Share capital	<i>14</i>	20,000
Reserves	<i>15</i>	145,031
Total capital and reserves		165,031

Approved by the Board of Directors on 25 April 1996

By order of the Board
Wong Kin Yip, Freddie
Director

Fung Yui Sum
Director

The notes on pages 25 to 45 form an integral part of these accounts.
 Auditors' report – page 20.



CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1995

	<i>Note</i>	1995 <i>HKS'000</i>	1994 <i>HKS'000</i>
Net cash inflow from operating activities	<i>17</i>	53,262	120,259
Returns on investments and servicing of finance			
Interest received		3,830	1,729
Interest paid		(1,802)	(772)
Dividends paid		(20,000)	(50,000)
Dividends paid to minority shareholders		(1,200)	(1,570)
Net cash outflow from returns on investments and servicing of finance		(19,172)	(50,613)
Taxation			
Hong Kong profits tax paid		(11,066)	(20,179)
Investing activities			
Purchase of fixed assets		(15,601)	(49,181)
Proceeds from disposals of fixed assets		316	2
(Increase)/decrease in investments		(189)	319
Net cash outflow from investing activities		(15,474)	(48,860)
Net cash inflow before financing		7,550	607
Financing			
Proceeds from issue of shares		64,000	–
New issue and listing expenses		(13,828)	–
Bank loans raised		3,200	9,850
Repayment of bank loans		(3,071)	(1,453)
Net cash inflow from financing	<i>18</i>	50,301	8,397
Increase in cash and cash equivalents		57,851	9,004
Cash and cash equivalents at 1 January		59,748	50,744
Cash and cash equivalents at 31 December	<i>19</i>	117,599	59,748

The notes on pages 25 to 45 form an integral part of these accounts.
Auditors' report – page 20.



NOTES TO THE ACCOUNTS

31 December 1995

1. Group reorganisation

The Company was incorporated as an exempted company in Bermuda on 7 October 1993 under the Companies Act 1981 of Bermuda. The Company remained inactive until 12 May 1995. Pursuant to a reorganisation scheme intended to rationalise the group structure in preparation for a listing of the shares in the Company on the Stock Exchange, the Company became the holding company of the Group on 12 May 1995. The reorganisation involved, inter alia, the following:-

- (a) On 12 May 1995, Astra Profits Limited and its nominee subscribed for 10,000 shares of HK\$1 each in Midland Realty (Strategic) Limited ("MR(S)L"), the former holding company of the Group, for cash at par, and each of the existing 2,000,000 shares of HK\$1 each in MR(S)L was converted into non-voting deferred share of HK\$1 in consideration of the allotment and issue of an aggregate of two shares of US\$1 each in Astra Profits Limited, credited as fully paid;
- (b) On 12 May 1995, the Company acquired the entire issued share capital of Astra Profits Limited in consideration of the issue of a total of 4,000,000 shares of HK\$0.1 each in the Company, credited as fully paid; and
- (c) On 13 May 1995, Astra Profits Limited acquired all the issued non-voting deferred shares of HK\$1 each in MR(S)L for an aggregate cash consideration of HK\$1,000.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of presentation and consolidation

- (i) The reorganisation scheme referred to in note 1 above has been reflected in the accounts by regarding the Group, which comprises the Company and its subsidiaries, as a continuing entity. Accordingly, the consolidated accounts have been prepared on the basis of merger accounting as if the Company had been the holding company throughout the accounting periods presented rather than from the date of acquisition.
- (ii) In the opinion of the Directors, the consolidated accounts prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.
- (iii) The consolidated accounts include the accounts of the Company and all its subsidiaries. Internal transactions are eliminated on consolidation and all figures in the consolidated accounts relate to external transactions only.
- (iv) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective dates of acquisition or up to the effective dates of disposal.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of presentation and consolidation (Continued)

- (v) Minority interests represent the interests of outside members in the operating results and net assets of subsidiaries.
- (vi) Capital reserve arising on shares exchange on merger represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration therefor.
- (vii) Reserve arising on consolidation represents the excess of the fair value of net assets of subsidiaries acquired over the cost of investment at the dates of acquisition and is credited directly to reserve in the year of acquisition.
- (viii) Goodwill on consolidation, which represents the excess of cost of investment over the fair value of the net assets of subsidiaries at the dates of acquisition, is charged against reserves to the extent that such reserves are available and any excess is charged against the profit and loss account in the year of acquisition.

(b) Subsidiaries

Subsidiaries are companies in which the Company, directly or indirectly, controls more than half their voting power or issued share capital or controls the composition of their board of directors. Investments in subsidiaries in the Company's balance sheet are stated at cost less provision for any permanent diminution in value.

(c) Associated companies

Associated companies are companies other than subsidiaries in which the Group holds not less than 20% of the equity as long term investments and has the ability to exercise significant influences in their management. Associated companies are accounted for using the equity method of accounting.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets

- (i) 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 long term investment potential, any rental income being negotiated at arm's length. Investment properties are stated at their open market value at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease.
- (ii) Leasehold buildings and improvements are stated at cost or valuation, being fair value at the date of revaluation, less subsequent accumulated depreciation. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.
- (iii) No amortisation is made on land held under long leases.
- (iv) Depreciation of leasehold buildings and improvements is calculated to write off their cost or valuation over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter.
- (v) Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of other tangible fixed assets is calculated to write off their cost on the straight line basis over their expected useful lives to the Group. The principal annual rate used for this purpose is 25%.
- (vi) The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. When such a decline has occurred, their carrying amount is reduced to their recoverable amount. Recoverable amount is the amount which the Group expects to recover from the future use of the asset, including its residual value on disposal.
- (vii) The amount of the reduction to recoverable amount is charged to the profit and loss account, unless it reverses a previous revaluation increase, in which case it is charged directly against any related revaluation reserve to the extent that the reduction does not exceed the amount held in the revaluation reserve in respect of the same item or group of identical assets.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(viii) 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 profits and is shown as a movement in reserves.

(ix) 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.

(e) Accounts receivable

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

(f) Taxation

The charge for taxation is based on the result for the year as adjusted for items which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent it is probable a liability or an asset will crystallise in the foreseeable future.

(g) Translation of foreign currencies

(i) Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounts by translating foreign currencies into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

(ii) The Group's share of post-acquisition net assets in an overseas associated company are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The Group's share of the results of an overseas associated company are translated into Hong Kong dollars at the average rate of exchange for the year. Exchange differences arising are taken directly to the exchange fluctuation reserve.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(h) Revenue

Agency fee revenue is recognised when the relevant agreement becomes unconditional or irrevocable.

3. TURNOVER AND REVENUE

Turnover and revenue comprises fees derived from property broking and real estate marketing services less discounts allowed.

4. OPERATING PROFIT

	Group	
	1995	1994
	<i>HKS'000</i>	<i>HKS'000</i>
The operating profit is stated after charging:-		
Auditors' remuneration	719	400
Depreciation of fixed assets	8,095	7,378
Interest on bank loans	1,802	772
Provision for bad debts	8,646	6,986
Operating lease rentals in respect of land and buildings	47,734	25,837
Loss on disposals of fixed assets	478	26
Deficit on revaluation of investment property (note 10(a))	168	-
and after crediting:-		
Interest income	3,830	1,729
Gross rental income from investment property	80	133
Less: outgoings	19	19
Net rental income from investment property	61	114



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

5. TAXATION

(a)

	Group	
	1995	1994
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	16,185	12,899
Over-provision in previous year	(946)	–
Transferred to deferred taxation account	875	–
	<u>16,114</u>	<u>12,899</u>

Hong Kong profits tax is calculated at the rate of 16.5% (1994: 16.5%) on the estimated assessable profit for the year.

(b) Taxation in the consolidated balance sheet represents provision for Hong Kong profits tax for the year less the amounts of provisional tax paid.

(c) The movements in the deferred taxation account are as follows:–

	Group	
	1995	1994
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance brought forward	63	63
Transferred from profit and loss account	875	–
	<u>938</u>	<u>63</u>

Deferred taxation represents full provision of the tax effect of timing differences arising from accelerated depreciation allowances of fixed assets.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of the Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:-

	Group	
	1995	1994
	<i>HK\$'000</i>	<i>HK\$'000</i>
As directors	-	-
Basic salaries, allowances and other benefits in kind	9,305	8,538
Discretionary bonuses	112	2,024
Directors' pensions	-	-
	<u>9,417</u>	<u>10,562</u>

In addition, certain directors have been granted share options under the share option scheme of the Company to acquire 14,500,000 and 1,500,000 shares of the Company at HK\$1.21 per share on 2 November 1995 and at HK\$1.23 per share on 6 November 1995 respectively. The closing market price of the Company's shares as at 31 December 1995 was HK\$1.89. The exercisable periods of these options are from 2 November 1995 to 2 November 1998 and 6 November 1995 to 6 November 1998 respectively.

None of the Directors of the Company had exercised their share options during the year.

- (b) The number of directors whose emoluments fell within the following bands are set out as below. The emoluments represent the amount paid to or receivable by the Directors of the Company in the respective financial years and are stated before the benefits derived or to be derived from the share options granted under the Company's share option scheme to acquire the ordinary shares of the Company.

Emoluments band	Number of directors		
	<i>HK\$</i>	1995	1994
0 - 1,000,000		8	1
1,000,001 - 1,500,000		-	-
1,500,001 - 2,000,000		-	-
2,000,001 - 2,500,000		-	-
2,500,001 - 3,000,000		2	-
3,000,001 - 3,500,000		1	2
3,500,001 - 4,000,000		-	1

No directors waived their emoluments in respect of the years ended 31 December 1994 and 1995.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

- (c) Among the five highest paid individuals, four (1994: four) of them are directors of the Company and the details of their remuneration have been disclosed in the preceding paragraph.

The aggregate amounts of the remaining highest paid individual whose emoluments have not been disclosed in directors' emoluments noted above are as follows-

	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
Basic salaries, allowances and other benefits in kind	635	1,000
Discretionary bonuses	62	-
Pension contributions	-	-
	<u>697</u>	<u>1,000</u>

7. PROFIT ATTRIBUTABLE TO THE MEMBERS OF MIDLAND REALTY (HOLDINGS) LIMITED

Included in the profit attributable to the members of the Company of HK\$77,543,000 (1994: HK\$57,435,000) is a profit of HK\$37,206,000 (1994: Nil), including dividend from a subsidiary of HK\$37,000,000 (1994: Nil), which is dealt with in the Company's own accounts.

8. DIVIDENDS

	Group	
	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
Dividends paid by subsidiaries to their then shareholders prior to the reorganisation referred in note 1		
- Interim	-	21,570
- Special	20,000	30,000
Proposed final - HK\$0.135 per share	30,848	-
	<u>50,848</u>	<u>51,570</u>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

9. EARNINGS PER SHARE

- (a) The calculation of earnings per share for 1995 is based on the profit attributable to the members of HK\$77,543,000 (1994: HK\$57,435,000) and on the weighted average number of 178,219,000 (1994: 150,000,000) shares in issue during the year. In determining the weighted average number of shares in issue, the 5,000,000 shares issued before the capitalisation issue and the capitalisation issue of 145,000,000 shares as referred to in note 14(i), (ii) and (iv) were deemed to have been in issue since 1 January 1994.
- (b) In the event that share options outstanding at 31 December 1995 totalling 16,000,000 (1994: Nil) were exercised in full, the fully diluted earnings per share would not be significantly different from the basic earnings per share as disclosed in the consolidated profit and loss account on page 21.

10. FIXED ASSETS – GROUP

	Investment property HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
Brought forward	3,368	46,704	9,315	6,723	10,231	2,971	79,312
Additions	-	-	7,450	846	7,305	-	15,601
Disposals	-	-	(602)	(256)	(259)	-	(1,117)
Revaluation surplus/ (deficit)	(168)	46	-	-	-	-	(122)
	<u>3,200</u>	<u>46,750</u>	<u>16,163</u>	<u>7,313</u>	<u>17,277</u>	<u>2,971</u>	<u>93,674</u>
Carried forward as follows:-							
At cost	-	-	16,163	7,313	17,277	2,971	43,724
At 1995 professional valuation	<u>3,200</u>	<u>46,750</u>	-	-	-	-	<u>49,950</u>
	<u>3,200</u>	<u>46,750</u>	<u>16,163</u>	<u>7,313</u>	<u>17,277</u>	<u>2,971</u>	<u>93,674</u>
Aggregate depreciation							
Brought forward	-	419	3,642	4,029	4,433	802	13,325
Charge for the year	-	398	3,140	1,208	2,815	534	8,095
Adjustment on revaluation	-	(536)	-	-	-	-	(536)
Disposals	-	-	(152)	(82)	(89)	-	(323)
	-	<u>281</u>	<u>6,630</u>	<u>5,155</u>	<u>7,159</u>	<u>1,336</u>	<u>20,561</u>
Net book value at 31 December 1995	<u><u>3,200</u></u>	<u><u>46,469</u></u>	<u><u>9,533</u></u>	<u><u>2,158</u></u>	<u><u>10,118</u></u>	<u><u>1,635</u></u>	<u><u>73,113</u></u>
Net book value at 31 December 1994	<u><u>3,368</u></u>	<u><u>46,285</u></u>	<u><u>5,673</u></u>	<u><u>2,694</u></u>	<u><u>5,798</u></u>	<u><u>2,169</u></u>	<u><u>65,987</u></u>

Auditors' report – page 20.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

10. FIXED ASSETS – GROUP (Continued)

- (a) Investment property and other land and buildings are situated in Hong Kong and are held under long leases. The investment property was revalued by C.Y. Leung & Company Limited, independent professional valuers, on the open market value basis on 31 December 1995. The deficit arising on revaluation amounting to HK\$168,000 was taken directly to the profit and loss account (note 4). Other land and buildings were revalued by C.Y. Leung & Company Limited on open market value basis on 31 March 1995. The surplus arising on revaluation amounting to HK\$582,000 was taken directly to the revaluation reserve (note 15).
- (b) The carrying amount of land and buildings that would be included in the accounts if the land and buildings were carried at cost less depreciation is HK\$45,912,000 (1994: HK\$46,285,000) for the Group.
- (c) At 31 December 1995, certain land and buildings with a total net book value of HK\$39,462,000 (1994: HK\$32,612,000) are pledged to a bank to secure bank loans granted to the Group (note 21).


11. INVESTMENTS

	Group		Company
	1995	1994	1995
	HK\$'000	HK\$'000	HK\$'000
Subsidiaries	–	–	108,501
Associated company	167	478	–
	<u>167</u>	<u>478</u>	<u>108,501</u>

(a) Subsidiaries

	Company
	1995
	HK\$'000
Unlisted shares, at cost	<u>108,501</u>

Details of subsidiaries are set out on pages 43 to 45.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

11. INVESTMENTS (Continued)

(b) Associated company

	Group	
	1995	1994
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets other than goodwill	1,198	1,698
Loan from an associated company (<i>note (ii)</i>)	(1,031)	(1,220)
	<u>167</u>	<u>478</u>

(i) Details of the associated company are set out on page 45.

(ii) The balance is unsecured, interest free and has no fixed terms of repayment.

12. CURRENT ASSETS

	Group		Company
	1995	1994	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from subsidiaries	-	-	50,709
Accounts receivable	78,111	41,490	-
Prepayments and deposits	30,636	18,292	-
Dividend receivable from a subsidiary	-	-	37,000
Cash and bank balances	118,619	60,099	-
	<u>227,366</u>	<u>119,881</u>	<u>87,709</u>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

13. CURRENT LIABILITIES

	Group		Company
	1995	1994	1995
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due to directors	–	10,599	–
Accounts payable	45,488	26,149	–
Other payables and accrued charges	24,230	31,748	331
Taxation (<i>note 5(b)</i>)	8,346	4,173	–
Current portion of non-current liabilities (<i>note 16</i>)	3,479	2,657	–
Dividends payable to minority shareholders	1,600	–	–
Proposed dividend	30,848	–	30,848
Bank overdrafts – unsecured	–	15	–
	<u>113,991</u>	<u>75,341</u>	<u>31,179</u>

14. SHARE CAPITAL

	1995
	<i>HK\$'000</i>
<i>Authorised</i>	
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>
<i>Issued and fully paid</i>	
200,000,000 ordinary shares of HK\$0.1 each	<u>20,000</u>

- (i) The Company was incorporated on 7 October 1993 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On 19 October 1993, 1,000,000 shares were allotted and issued to the subscribers nil paid.
- (ii) On 12 May 1995, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of 999,000,000 shares of HK\$0.1 each, of which 4,000,000 were allotted, issued and credited as fully paid for the acquisition of Astra Profits Limited. The shares issued on 19 October 1993 were subsequently credited as fully paid at par by way of capitalisation of HK\$100,000 standing to the credit of the contributed surplus account.
- (iii) On 8 June 1995, 50,000,000 shares of HK\$0.1 each in the Company were issued to the public at a price of HK\$1.28 per share (the “New Issue”). The excess over the par value of the shares issued was credited to a share premium account. The proceeds of the New Issue were used for financing the Group’s expansion plans and for general working capital.

Auditors’ report – page 20.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

14. SHARE CAPITAL (Continued)

- (iv) Immediately following the New Issue, HK\$14,500,000 of the share premium account was capitalised (the “capitalisation issue”) and applied in paying up in full at par 145,000,000 shares for allotment and issue to shareholders on the register of members of the Company at the close of business on 12 May 1995 in proportion to their respective shareholdings.
- (v) All the shares issued by the Company during the period rank *pari passu* with other shares in all respects.
- (vi) During the period, a share option scheme was approved by the shareholders of the Company under which the Directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. Details of share options granted by the Company during the period pursuant to the share option scheme are as follows:–

Date of grant	Number of shares comprising the share options granted	Exercise price per share HK\$	Exercisable period
2 November 1995	14,500,000	1.21	2 November 1995 – 2 November 1998
6 November 1995	1,500,000	1.23	6 November 1995 – 6 November 1998

Subsequent to 31 December 1995, 4,500,000 shares have been allotted and issued under the share option scheme for a total consideration of HK\$5,475,000.



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

15. RESERVES

	Group <i>HK\$'000</i>	Company <i>HK\$'000</i>
Share premium account		
New issue of shares (<i>note 14(iii)</i>)	59,000	59,000
Capitalisation issue (<i>note 14(iv)</i>)	(14,500)	(14,500)
New issue and listing expenses	(13,828)	(13,828)
	30,672	30,672
Exchange reserve		
Balance brought forward	(578)	–
Exchange adjustment on translation of the accounts of an overseas associated company	45	–
Balance carried forward	(533)	–
Reserve arising on consolidation		
Balance brought forward and carried forward	14,571	–
Revaluation reserve		
Surplus on revaluation of property (<i>note 10(a)</i>)	582	–
Contributed surplus account		
Share issued for the acquisition of a subsidiary	–	108,101
Capitalisation for 1,000,000 shares issued nil paid (<i>note 14(ii)</i>)	–	(100)
Balance carried forward	–	108,001
Retained profits		
Balance brought forward	81,921	–
Profit for the year/period	77,543	37,206
Dividends (<i>note 8</i>)	(50,848)	(30,848)
Balance carried forward	108,616	6,358
	<u>153,908</u>	<u>145,031</u>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

15. RESERVES (Continued)

- (a) 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 12 May 1995. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to the shareholders. At group level, the contributed surplus is reclassified into its component of reserves of the underlying subsidiaries.
- (b) Included in the Group's retained profits is accumulated losses of HK\$1,542,000 (1994: HK\$977,000) attributable to an associated company.

16. NON-CURRENT LIABILITIES

	Group	
	1995	1994
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans – secured	14,027	13,898
Deferred taxation (<i>note 5(c)</i>)	938	63
	<hr/> 14,965	<hr/> 13,961
<i>Less: amount repayable within one year shown under current liabilities</i>	<hr/> 3,479	<hr/> 2,657
	<hr/> 11,486 <hr/>	<hr/> 11,304 <hr/>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

17. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 <i>HKS'000</i>	1994 <i>HKS'000</i>
Operating profit	94,976	71,311
Depreciation of fixed assets	8,095	7,378
Loss on disposals of fixed assets	478	26
Deficit on revaluation of investment property	168	–
(Increase)/decrease in accounts receivable, deposits and prepayments	(48,965)	17,599
(Increase)/decrease in bank deposits pledged	(684)	39
Increase in accounts payable, accrued charges and other payables, including amounts due to directors	1,222	24,863
Interest received	(3,830)	(1,729)
Interest paid	1,802	772
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>53,262</u>	<u>120,259</u>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

18. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1995		1994	
	Share capital including share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Share capital including share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>
Balance at 1 January	500	13,898	500	5,501
Proceeds from issue of shares	64,000	-	-	-
New issue and listing expenses	(13,828)	-	-	-
Bank loans raised	-	3,200	-	9,850
Repayment of bank loans	-	(3,071)	-	(1,453)
Balance at 31 December	<u>50,672</u>	<u>14,027</u>	<u>500</u>	<u>13,898</u>

19. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
Cash and bank balances	118,619	60,099
Bank deposits pledged (<i>note 21</i>)	(1,020)	(336)
Bank overdrafts - unsecured	-	(15)
	<u>117,599</u>	<u>59,748</u>

20. COMMITMENTS

(a) Operating lease commitments

At 31 December 1995, the Group had commitments under non-cancellable operating leases in respect of office and shop premises to make payments in the next year as follows:-

	Group	
	1995 <i>HK\$'000</i>	1994 <i>HK\$'000</i>
Operating leases expiring		
- within one year	9,889	5,338
- in the second to fifth years inclusive	47,283	23,943
	<u>57,172</u>	<u>29,281</u>



NOTES TO THE ACCOUNTS

31 December 1995

(Continued)

20. COMMITMENTS (Continued)

(b) Capital commitments

At 31 December 1995, the Group had capital commitments in respect of acquisition of properties amounting to HK\$40,692,000, which are contracted but not provided for in the accounts.

21. PLEDGE OF ASSETS

At 31 December 1995, long-term bank loans of HK\$14,027,000 (1994: HK\$13,898,000) were secured by certain land and buildings held by the Group with a total net book value of HK\$39,462,000 (1994: HK\$32,612,000) (note 10(c)).

In addition, bank deposits amounting to HK\$1,020,000 (1994: HK\$336,000) were pledged to a bank for bank guarantees issued on behalf of subsidiaries for leasing of certain branch premises.

22. POST BALANCE SHEET EVENT

On 14 March 1996, Worldboss Limited, a wholly-owned subsidiary of the Company, entered into agreements to acquire properties at a total consideration of HK\$56,108,000. The properties will be used as the Group's head office.

23. ULTIMATE HOLDING COMPANY

The Directors regard Rollas Enterprises Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company. Pursuant to a placing and subscription agreement dated 29 January 1996, the Company allotted and issued 24,000,000 ordinary shares to two companies controlled respectively by Mr Wong Kin Yip, Freddie and Mr Fung Yui Sum. Consequently Rollas Enterprises Limited ceased to be the ultimate holding company.



GROUP STRUCTURE

Year ended 31 December 1995

Name	Place/country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Subsidiaries				
Goldlane Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
Midland (China) Property Development Limited	Hong Kong	Ordinary HK\$5,000,000	70	Property agent
Midland International Property Agency Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Overseas Property Agency Limited	Hong Kong	Ordinary HK\$500,000	100	Dormant
Midland Property (China) Limited	Hong Kong	Ordinary HK\$500,000	100	Dormant
Midland Property Consultants Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Property Management Company Limited	Hong Kong	Ordinary HK\$2	100	Property management
Midland Property (Overseas) Limited	Hong Kong	Ordinary HK\$2	100	Dormant
Midland Realty (Aberdeen) Limited	Hong Kong	Ordinary HK\$500,000	80	Property agent
Midland Realty (Comm.) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (DB) Limited	Hong Kong	Ordinary HK\$400,000	100	Property agent

Auditors' report – page 20.



GROUP STRUCTURE

Year ended 31 December 1995

(Continued)

Name	Place/country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Subsidiaries (Continued)				
Midland Realty (Fairview) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Ind.) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty International Limited	Hong Kong	Ordinary HK\$100,000	100	Property agent
Midland Realty (Kln Res.) Limited	Hong Kong	Ordinary HK\$800,000	90	Property agent
Midland Realty (Kornhill) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (LKW) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (North Point) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Shatin) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Strategic) Limited	Hong Kong	Ordinary HK\$10,000 Non-voting Deferred HK\$2,000,000	100	Investment holding
Midland Realty (Tai Po) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent

Auditors' report – page 20.



GROUP STRUCTURE

Year ended 31 December 1995

(Continued)

Name	Place/country of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest %	Principal activities
Subsidiaries (Continued)				
Midland Realty (TKS) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Tsuen Wan) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Realty (Tuen Mun) Limited	Hong Kong	Ordinary HK\$2	100	Dormant
Midland Realty (Whampoa) Limited	Hong Kong	Ordinary HK\$500,000	100	Property agent
Midland Surveyors Limited	Hong Kong	Ordinary HK\$500,000	100	Property valuer
Real Gain Limited	Hong Kong	Ordinary HK\$10,000	100	Property investment
Topco Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
Welleson Management Limited	Hong Kong	Ordinary HK\$2	100	Property management
Worldboss Limited	Hong Kong	Ordinary HK\$2	100	Dormant
Astra Profits Limited	British Virgin Islands	Ordinary US\$4	100	Investment holding
Associated company				
Midland (Guangzhou) Real Estate Consultants Ltd.	The People's Republic of China (Equity joint venture)	HK\$5,000,000	49	Property agent

The associated company is not audited by Coopers & Lybrand, Hong Kong.

Auditors' report – page 20.