


Midland Realty (Holdings) Limited

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Midland Realty (Holdings) Limited

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie
(Chairman and Managing Director)
Ms IP Kit Yee, Kitty *(Deputy Chairman)*
Mr CHEUNG Kam Shing
(Deputy Chairman)
Ms LAM Fung Fong

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr CHUNG Kam Wing, Calvin *(Chairman)*
Mr AU Son Yiu

COMPANY SECRETARY

Mr CHAN Kin Chu, Harry

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

WEBSITE

www.midland.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-wide House
19 Des Voeux Road Central
Hong Kong

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

American Express Bank Limited
Dao Heng Bank Limited
International Bank of Asia Limited
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG LEGAL ADVISERS

Iu, Lai & Li
20th Floor
Gloucester Tower
The Landmark
Central
Hong Kong

BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman
Suite 2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR, WARRANT REGISTRAR AND TRANSFER OFFICE

Abacus Share Registrars Limited
5th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Company will be held at Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong on 30th April 2002 at 11:30 a.m. for the following purposes:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31st December 2001;
2. To declare a final dividend;
3. To re-elect Directors and to fix the Directors' remuneration;
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“**THAT** “美聯物業（集團）有限公司” be adopted as the Company's Chinese name for the purpose of registration in Hong Kong.”

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

Hong Kong, 19th March 2002

Notes:—

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, together with a power of attorney or other attorney, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The register of members of the Company will be closed from Wednesday, 24th April 2002 to Tuesday, 30th April 2002, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 4:00 p.m. on 23rd April 2002.
4. The above Resolution 5 relates to the adoption of a Chinese name by the Company. As the Company is a company incorporated in Bermuda, only its English name appears in its Certificate of Incorporation. Accordingly, the Company has been registered as an overseas company in its English name only under Part XI of the Hong Kong Companies Ordinance. The Chinese name now appears in the Company's documents has been used as a Chinese translation of its English name. As an overseas company is now allowed to register a Chinese name in Hong Kong notwithstanding the fact that only the English name of a company appears in the Certificate of Incorporation, the Directors propose the adoption of the Chinese name to formalize its use by the Company in Hong Kong.

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FIVE YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	1997 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	1,769,349	906,919	727,232	780,014	916,446
Profit attributable to shareholders	223,387	10,310	50,691	53,290	40,967
Total assets	1,117,679	929,302	742,185	945,303	952,109
Total liabilities	523,183	333,811	254,387	436,468	415,042
Minority interests	5,863	8,304	9,538	16,477	18,248
Net assets	588,633	587,187	478,260	492,358	518,819

The comparative figures for the years 1997 to 2000 have been adjusted as a result of the adoption of Statement of Standard Accounting Practice No. 2.109 (revised) "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. Details of the accounting policy are set out in note 1(r) to the accounts.

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CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND OUTLOOK

Business Review

In 2001, the Group recorded turnover of HK\$916,446,000, up 17% from the preceding year. However, with the Mandatory Provident Fund raising operating costs, and 911 Incident seriously dampening demand, operating profit dipped 24% to HK\$62,465,000. Profit attributable to shareholders declined 23% to HK\$40,967,000. The Directors propose a final dividend of HK\$0.018 per share. Taking into account the interim dividend, the total dividend for 2001 will be HK\$0.023 per share.



Wong Kin-Yip, Freddie
Chairman and Managing Director

During the year, market sentiment improved, thanks to 11 rounds of rate cuts that pared 4.375% off interest rates, the suspension of Home Ownership Scheme (“HOS”) sales and the cutback in land sales. According to the Land Registry, sale-and-purchase transactions edged up 3% to 88,190 with the primary market logging 20,563 transactions and the secondary market, 50,983. This was the first increase since the Asian financial crisis. As the buying and selling of small to mid-sized flats still dominated activities, residential prices continued to fall. The total property transaction value tumbled 13% to HK\$192.8 billion. Taking the pulse of the market, the Group launched successful the “more-affordable-to buy” campaign along with awareness-building commercials on television. As a result, we were able to boost our transaction volume by 26% to 37,863, on top of cornering 80% of residential sales in the primary market.



Certificate from *CIO Asia* magazine recognizing **Midland Realty** as among 100 companies to provide the best information technology systems in Asia.

In the face of an economic downturn, the Group steadfastly struck a balance between prudence and expansion to sharpen the competitive edge. We pursued aggressively project-marketing opportunities and devoted more resources to sole agency tendering and auctions, at the same time, reinforcing our status as a top brokerage for luxury homes. Our efforts were rewarded with a number of large-scale transactions during the year. Meanwhile, we installed in our branch network the Midland Realty Management System that helps the Group save up HK\$7,000,000 annually, in addition to increasing service quality and competitive edge significantly. This comprehensive online listing system earned the Group a place among 100 companies in Asia named by international magazine “CIO Asia” as being best in information technology management.

Midland Realty (Holdings) Limited

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CHAIRMAN'S STATEMENT

In China Mainland, the Group enjoyed substantial growth. Our Shanghai residential property division, for one, captured 70% of sole agency sales of quality new units available to overseas buyers. Our track record speaks for itself, winning us trust among developers and customers.

Despite sluggish conditions, the development of mortgage referral business was outstanding. mReferral Corporation (HK) Limited ("mReferral") lined up mortgage loans exceeding HK\$11.3 billion, representing the leading position in market. Not only did mReferral add a respectable revenue stream but it also formed co-operative alliances with about 50 small to mid-sized real estate agencies for better networking.

Business Outlook – Grow on Diversification and the China Market

Plaguing the market these days is the economic downturn. With layoffs and pay cuts virtually a daily occurrence, the desire of consumers to own their own home is diminished. However, the government did paint a fairly rosy economic picture in the 2002/03 Budget and appears determined to reverse its negative housing policy by suspending sales of HOS units and reducing land sales. All these should bode well for market demand. We believe that as the US economy recovers, more business opportunities open up following China's entry to the World Trade Organisation ("WTO") and rates remain low, the property market should resume a growth trend in the longer run.

In light of this, our strategy is to reinforce our base in Hong Kong while continuing to develop the China Mainland market. Using Midland CyberNet Limited as a flagship company and building on the success of mReferral, the Group also will develop further synergic referral services to broaden the earnings base.

Make Inroads in China Set Professional Standards

In nearly a decade since entering China in 1992, the Group has made a name as a pioneer that introduced superior service standards and rich management experience to a virgin market. On this sound basis, we shall develop further our business using the following three strategies to capture the opportunities resulting from China's WTO accession and the globalisation of economies:

1. Expand geographically to broaden our business coverage;
2. Recruit more talents, step up training and raise service standards to cut a professional image; and
3. Implement network operations to accelerate development and expand the corporate structure.



Subsidiary Hong Kong Property is presented with the "Henderson Best Selling Award for Year 2001", the first agency to retain its championship in three consecutive years.

Midland Realty (Holdings) Limited

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CHAIRMAN'S STATEMENT

Focus on Training to Boost Core Strength

Last year, the Group organised 350 wide-ranging training programmes for about 8,000 headcounts. The service industry is people-dependent. The Group has always accepted that human resources are key. Faced with intensifying competition, we are determined to pioneer in human resources development. In the coming year, we shall continue to recruit seasoned agents and boost our sales force.

Control Costs to Raise Profits

To stay competitive, starting in 2002, we lowered the agents' commission rate for selling units in the primary market. At the same time, we instituted a profit-sharing scheme for supervisory personnel within the sales force, also with a view towards managing resources efficiently and controlling expenses prudently. We are investigating the feasibility of transferring some operations to the mainland. As long as we do not compromise service quality, we shall control operating expenses to improve efficiency.

Conclusion

The Group is pleased to report strong support from shareholders and customers on the basis of its sound financial strength, a professional management structure, and stable earnings. Moreover, as a major player, we have the advantage of coming out tops in a market where only the fittest survives. Our competitive edge allows us to attract highly qualified personnel and to diversify while reinforcing our core business. The Directors are confident that the Group is positioned well to grasp the opportunities of the imminent economic recovery and to improve our performance. The Directors are optimistic that we are in for a better year.

ACKNOWLEDGMENT

With respectable results, we have sound reasons to view our future optimistically. Key to this success is our workforce, which is constantly in search of excellence. On behalf of the Board of Directors, I sincerely thank shareholders & clients for their support and our staff & agents for their diligence and dedication over the past year.



It is better to give than to receive. Management participates alongside *Sun Hung Kai Properties Limited* in the "SPS Walkathon 2002" to raise funds for charity.

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

Hong Kong, 19th March 2002

Midland Realty (Holdings) Limited

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MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 31st December 2001, the Group had bank balances and cash of HK\$334,084,000, whilst bank loans and overdrafts amounted to HK\$131,573,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$272,687,000 and with maturity profile set out as follows:

Repayable	<i>HK\$'000</i>
Within 1 year	33,949
After 1 year but within 2 years	28,280
After 2 years but within 5 years	69,344

The Company has an aggregate principal amount of HK\$70,000,000 convertible note which carries interest at 6% per annum payable in arrears and is repayable on 30th June 2002.

In addition, the Group had unutilized banking facilities amounting HK\$55,542,000 from various banks. The Group's borrowings are in Hong Kong Dollars, there is no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2001, the gearing ratio of the Group was 25%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

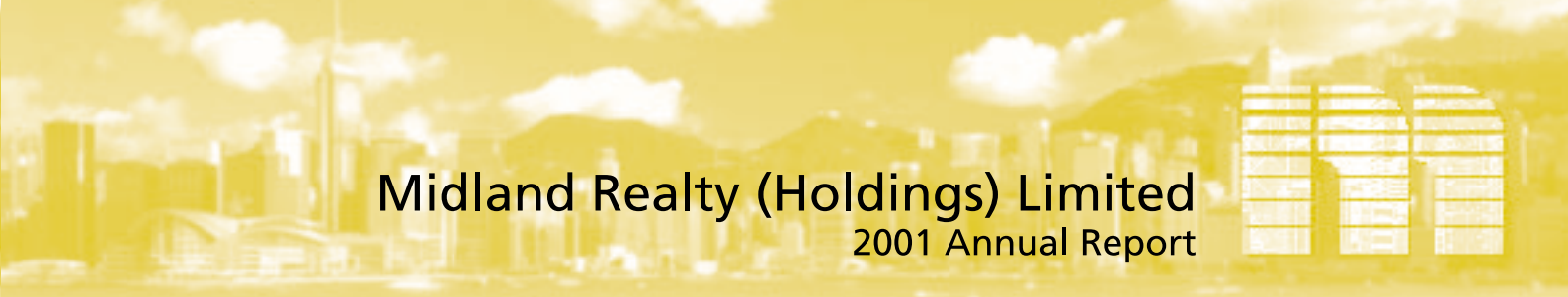
Contingent liabilities

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

Staff and remuneration policies

As at 31st December 2001, the Group employed 2,582 full time employees of which 2,259 were sales agents and 323 were back office supportive employees.

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

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Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

The directors submit their report together with the audited accounts for the year ended 31st December 2001.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out on in note 30 to the accounts.

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

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated trading results of the Group are attributable to markets outside Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 18.

The directors have declared an interim dividend of HK\$0.005 per ordinary share, totalling HK\$2,979,000, which was paid on 11th October 2001.

The directors recommend the payment of a final dividend of HK\$0.018 per ordinary share totalling HK\$10,722,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$40,100.

FIXED ASSETS


Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on page 66.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movements in share capital, share options and warrants of the Company are set out in note 18 to the accounts.



Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

DISTRIBUTABLE RESERVES

At 31st December 2001, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$116,213,000.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 100,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at a price of HK\$0.49 per share through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the share purchase are set out in note 18(b) to the accounts. The directors consider the share purchase will lead to an enhancement of the Group's earnings per share.

DIRECTORS

The directors during the year were:

Executive directors

Mr WONG Kin Yip, Freddie
Ms IP Kit Yee, Kitty
Mr CHEUNG Kam Shing

Independent non-executive directors

Mr AU Son Yiu #
Mr CHUNG Kam Wing, Calvin #
Mr KAN Chung Nin, Tony
Mr LAI Dominic

members of audit committee

Ms LAM Fung Fong, a senior management of the Company, was appointed as an executive director of the Company on 18th January 2002.

In accordance with section 87 of the Company's Bye-laws, all directors except the chairman of the Board and/or the managing director of the Company shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out as follows:

Executive directors

Mr WONG Kin Yip, Freddie, aged 52, is the founder and chairman of the Company. He is responsible for the strategic management, human resources management, marketing management, financial management and sales force management of the Group. Furthermore, he is also responsible for the key managerial decisions, as well as day-to-day overall management in order to enhance the Group's competitive edge and profitability. Mr WONG has more than 29 years of experience in the real estate broking business. He was appointed as the chairman and the managing director of the Company in October 1993 and May 1998 respectively.

Ms IP Kit Yee, Kitty, aged 42, has been appointed as the executive director of the Company since October 1993. She is responsible for management and administrative functions of the Group. She was also appointed as an executive director of the Company's subsidiary, Hong Kong Property Services (Agency) Limited on 30th June 2000 and is responsible for overall policies formulation, strategic development and management planning. She was appointed as deputy chairman of the Company in June 2001.

Mr CHEUNG Kam Shing, aged 38, is the executive director of the Company. He has extensive experience in real estate broking and marketing. With his many years of experience, Mr CHEUNG is participating in the formulation of policy and strategy of the Group, and is responsible for overseeing the divisions dealing with residential property broking and implementing the Group's overall strategic sales and marketing plan in local market. Mr CHEUNG has served the Group for 15 years and was appointed as an executive director of the Company in June 1998. He was appointed as deputy chairman of the Company in June 2001 and as chairman of mReferral Corporation Limited in January 2002.

Ms LAM Fung Fong, aged 40, has been appointed as the executive director of the Company since January 2002. She has over 16 years of experience in accounting and finance. She is an associate member of the Hong Kong Society of Accountants and a fellow member of the Chartered Association of Certified Accountants. She is currently in charge of the overall financial and accounting, legal and property administration functions of the Group. Ms LAM joined the Group in 1995.

Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent non-executive directors

Mr AU Son Yiu, aged 57, has extensive experience in the securities industry. He is also a director of Realink Securities Limited, China Point Stock Brokers Ltd. and I & P Securities Ltd. respectively, a consultant to Dao Heng Securities Limited and member of the Election Committee for the financial services subsector election for the 1998 Legislative Council. Mr AU is also a non-executive director for several public companies listed on The Stock Exchange of Hong Kong Limited. In addition, he is the Ex-Deputy Chairman of Hong Kong Securities Clearing Company Limited (1992-1994) and Ex-Council member of The Stock Exchange of Hong Kong Limited (1988-1994). Mr AU was appointed as an independent non-executive director of the Company in October 1994. He changed to be an executive director of the Company in November 1995 and became an independent non-executive director of the Company again in September 1996. Mr AU was appointed as a member of the Audit Committee of the Company on 12th October 1998.

Mr CHUNG Kam Wing, Calvin, aged 55, LL.B., is a practising solicitor in Hong Kong and Vancouver B.C., Canada. Mr CHUNG has been a partner of the Hong Kong law firm of Ong & Chung since May 1989. In March 1986, he was called to the Bar of British Columbia and subsequently became a partner of the Vancouver firm of Alexander, Holburn, Beaudin & Lang in December 1989 until 31st December 1997. He was appointed as an independent non-executive director of the Company in November 1993. Mr CHUNG was appointed as a member of the Audit Committee of the Company on 4th August 1998.

Mr KAN Chung Nin, Tony, aged 51, LL.B., P.C.LL., is a practising solicitor in Hong Kong and also the founder and senior partner of the Hong Kong law firm of Messrs. Tony Kan & Co since 1984. He was appointed by the Chinese Ministry of Justice as a China Appointed Attesting Officer in June 1993. He has been an elected member of the District Council of Shatin since 1985. Mr KAN also serves in many prominent professional and social organisations, such as Yan Oi Tong (a charitable organisation in the New Territories, of which he was the chairman in 1988) and Rotary Club of Shatin (of which he was the president in 1993). He was awarded the Badge of Honour by Governor of Hong Kong for his social contributions in 1989 as well as Bronze Bauhinia Star for his further enthusiastic social contributions by the Chief Executive of the Hong Kong Special Administrative Region in 1999. Mr KAN was appointed as a Hong Kong District Affairs Adviser by Hong Kong Xin Hua News Agency in 1994 and a member of GPPPCC of China since January 1999. He was appointed as an independent non-executive director of the Company in October 1994.

Mr LAI Dominic, aged 55, 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. He was appointed as an independent non-executive director of the Company in November 1993.

Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Senior Management

Mr WONG Kam Hong, aged 40, began his affiliation with Midland Realty (Holdings) Limited as a strategic advisor in August 2000. He was appointed as Assistant Managing Director (M&A) in September 2001, assisting the Chairman in overseeing the Group's strategies as well as implementing its merger and acquisition affairs. In addition, he was also appointed in September 2001 as the director of Midland CyberNet Limited and as the Chief Executive Officer of mReferral Corporation Limited.

Mr WONG holds a B.Soc.Sc. degree (Hon.) and an MBA degree (UK). Before joining the Group, he was a director of a securities brokerage company in Hong Kong. He had also worked in The Stock Exchange of Hong Kong Limited and held a senior position in a Hong Kong listed company before. With more than 17 years' experience in securities dealing, stock market research and corporate affairs, Mr WONG is well versed in corporate development planning and restructuring.

Mr CHAN Kin Chu, Harry, aged 32, LL.B., LL.M., is the company secretary of the Company. Mr CHAN is responsible for legal advice and company secretarial services within the Group. He is a solicitor admitted to practice in Hong Kong. Before joining the Group, Mr CHAN was a practicing solicitor in Hong Kong. Mr CHAN joined the Group in February 2000.

Mr CHAN Kwan Hing, aged 38, is a director of Midland Realty (Aberdeen) Limited, a subsidiary of the Company. He is a sales director of the Group, and is responsible for overseeing and operating the divisions dealing with residential property broking in Hong Kong island. Mr CHAN joined the Group in October 1991.

Mr KWOK Ying Lung, aged 38, joined the Group in May 1988 and is currently responsible for the management of China, industrial and commercial properties divisions of the Group. He is a sales director of the Group and has broad experience in dealing with non-residential property broking including industrial, office and retail properties.

Mr LAW Kwok On, aged 41, is a director of Midland Realty (Kln Res.) Limited, a subsidiary of the Company. He is a sales director of the Group, and is responsible for overseeing the divisions dealing with residential property broking in Kowloon. Mr LAW holds a Diploma in Business Management. He has served the Group for 12 years. In December 2001, Mr LAW has been appointed as a director of an internet related business company of the Group.

Mr PO Siu Ming, aged 36, joined the Group in June 1988 and is currently responsible for overseeing the divisions dealing with residential property broking in New Territories. Mr PO is a sales director of the Group and has broad experience in dealing with residential property broking.

Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTION

Harvest Time Investments Limited ("Harvest Time"), an indirect 80% owned subsidiary of the Company, had advanced HK\$9,700,000 to mReferral Corporation Limited ("mReferral") in 2000. The loan is unsecured, interest-bearing at 3-month HIBOR, and has no fixed terms of repayment. mReferral has repaid HK\$6,700,000 to Harvest Time during the year ended 31st December 2001 and the remaining balance of HK\$3,000,000 was carried forward to 2002.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 2001, the interests of the directors and chief executives in the shares and options of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

	Number of ordinary shares of HK\$0.10 each in the Company beneficially held		Percentage of holding
	Personal interest	Corporate interest	
Mr WONG Kin Yip, Freddie	12,500,000 (<i>note (a)</i>)	162,500,000 (<i>note (b)</i>)	32.05%
	15,898,000		
Ms IP Kit Yee, Kitty	310,000	–	0.05%
Mr CHEUNG Kam Shing	500,000	–	0.08%

Notes:

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

Certain directors and chief executives of the Company have been granted options to subscribe for shares in the Company under the Company's share option scheme. Details of which are set out in note 18(c) to the accounts.

Midland Realty (Holdings) Limited

2001 Annual Report

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

Apart from the above, none of the directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the SDI Ordinance).

Apart from the above, at no time during the year was the Company, or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than that of a director as disclosed above.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its services from its 5 largest suppliers and sold less than 30% of its services to its 5 largest customers.

RETIREMENT SCHEME

Details of the Company's retirement scheme are set out in note 9 to the accounts.


PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2001 are set out in note 30 to the accounts.

BANK LOANS, OVERDRAFTS, CONVERTIBLE NOTE AND OTHER BORROWINGS

An analysis of bank loans and overdrafts at 31st December 2001 is set out in note 20 to the accounts. Details of the convertible note is set out in note 21 to the accounts.

Apart from the above, the Group has no other borrowings at 31st December 2001.

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

Midland Realty (Holdings) Limited

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REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules except that non-executive directors are not appointed for a specified term as recommended in Paragraph 7 of Appendix 14 “Code of Best Practice” of the Listing Rules. According to the Bye-laws of the Company, all directors except the chairman of the Board and/or the managing director of the Company will retire at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to “A Guide for The Formation of An Audit Committee” published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company’s auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr AU Son Yiu and Mr CHUNG Kam Wing, Calvin. Two meetings were held during the current financial year.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

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

Hong Kong, 19th March 2002

AUDITORS' REPORT



羅兵咸永道會計師事務所

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDLAND REALTY (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 18 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2002

Midland Realty (Holdings) Limited

2001 Annual Report

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2001

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	2	916,446	780,014
Other revenues	2	29,794	56,630
Other income		–	792
		<u>946,240</u>	<u>837,436</u>
Operating costs		(883,305)	(749,131)
Deficit arising on revaluation of investment properties	11	(470)	(5,939)
Operating profit	3	62,465	82,366
Finance costs	4	(12,427)	(14,100)
Share of profits less losses of jointly controlled entities		4,585	344
Profit before taxation		54,623	68,610
Taxation	5	(11,885)	(12,538)
Profit after taxation		42,738	56,072
Minority interests		(1,771)	(2,782)
Profit attributable to shareholders	6 & 19	<u>40,967</u>	<u>53,290</u>
Dividends	7	<u>13,701</u>	<u>17,926</u>
Basic earnings per share	8	<u>6.9 cents</u>	<u>9.0 cents</u>
Diluted earnings per share	8	<u>6.5 cents</u>	<u>8.4 cents</u>

Midland Realty (Holdings) Limited

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CONSOLIDATED BALANCE SHEET

As at 31st December 2001

	Note	2001 HK\$'000	As restated 2000 HK\$'000
Non-current assets			
Fixed assets	11	304,295	352,494
Investments in jointly controlled entities	13	11,292	11,123
		<u>315,587</u>	<u>363,617</u>
Current assets			
Accounts receivable	14	233,038	160,880
Other receivables, prepayments and deposits	15	56,187	52,913
Trading investments	16	13,213	16,212
Bank balances and cash		334,084	351,681
		<u>636,522</u>	<u>581,686</u>
Current liabilities			
Accounts payable	17	112,242	94,001
Other payables and accrued charges		63,275	73,307
Current portion of long-term bank loans – secured	20	28,191	1,389
Convertible note	21	70,000	–
Taxation payable		7,382	17,352
Bank overdrafts		5,758	7,768
		<u>286,848</u>	<u>193,817</u>
Net current assets		<u>349,674</u>	<u>387,869</u>
Total assets less current liabilities		<u>665,261</u>	<u>751,486</u>
Financed by:			
Share capital	18	59,569	59,519
Reserves	19	448,528	420,935
Proposed dividend	19	10,722	11,904
Shareholders' funds		518,819	492,358
Minority interests		18,248	16,477
Non-current liabilities			
Long-term bank loans – secured	20	97,624	141,363
Convertible note	21	–	70,000
Deferred income	22	30,443	30,443
Deferred taxation	23	127	845
		<u>665,261</u>	<u>751,486</u>

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

Midland Realty (Holdings) Limited

2001 Annual Report

BALANCE SHEET

As at 31st December 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	As restated 2000 <i>HK\$'000</i>
Non-current assets			
Investments in subsidiaries	12	311,309	252,681
Current assets			
Other receivables, prepayments and deposits		864	446
Trading investments	16	13,213	16,212
Tax recoverable		–	193
Bank balances and cash		24,408	76
		38,485	16,927
Current liabilities			
Other payables and accrued charges		3,212	699
Convertible note	21	70,000	–
Taxation payable		39	–
		73,251	699
Net current (liabilities)/assets		(34,766)	16,228
Total assets less current liabilities		276,543	268,909
Financed by:			
Share capital	18	59,569	59,519
Reserves	19	206,252	127,486
Proposed dividend	19	10,722	11,904
Shareholders' funds		276,543	198,909
Non-current liability			
Convertible note	21	–	70,000
		276,543	268,909

WONG Kin Yip, Freddie
Director

IP Kit Yee, Kitty
Director

Midland Realty (Holdings) Limited

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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net cash inflow from operating activities	24(a)	23,275	124,756
Returns on investments and servicing of finance			
Interest received		12,386	15,385
Interest paid		(12,427)	(14,100)
Dividends paid		(14,883)	(14,869)
Dividends paid to minority shareholders of subsidiaries		–	(5,400)
Net cash outflow from returns on investments and servicing of finance		(14,924)	(18,984)
Taxation			
Hong Kong profits tax paid		(22,016)	(2,081)
Overseas taxation paid		(109)	–
Total taxation paid		(22,125)	(2,081)
Investing activities			
Purchase of fixed assets		(15,059)	(14,778)
Proceeds from disposal of fixed assets		22,000	–
Purchase of trading investments			
– listed corporate bonds		–	(15,964)
Proceeds from disposal of trading investments			
– listed corporate bonds		3,813	10,090
Acquisition of jointly controlled entities		–	(405)
Acquisition of subsidiaries	24(c) & (d)	105	12,106
Advance to jointly controlled entities		(2,812)	(8,320)
Repayment of loan from a jointly controlled entity		6,700	–
Subscription of shares in a subsidiary by a minority shareholder		–	40,000
Net cash inflow from investing activities		14,747	22,729
Net cash inflow before financing		973	126,420

Midland Realty (Holdings) Limited

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CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the year ended 31st December 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Financing	24(b)		
Net proceed from issuing of warrants		–	23,059
Net proceed from exercising of warrants		–	2,946
Exercise of share options		426	–
Purchase of own shares		(49)	(273)
New bank loans		–	131,000
Repayment of bank loans		(16,937)	(125,584)
		<u>(16,560)</u>	<u>31,148</u>
Net cash (outflow)/inflow from financing		(16,560)	31,148
(Decrease)/increase in cash and cash equivalents		(15,587)	157,568
Cash and cash equivalents at 1st January		343,941	186,531
Decrease in trading investments			
– listed equity securities		(1)	(103)
Effect of foreign exchange rate changes		–	(55)
		<u>328,353</u>	<u>343,941</u>
Cash and cash equivalents at 31st December		328,353	343,941
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		334,084	351,681
Bank overdrafts		(5,758)	(7,768)
Trading investments – listed equity securities		27	28
		<u>328,353</u>	<u>343,941</u>

Midland Realty (Holdings) Limited

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CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December 2001

	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Exchange differences arising on translation of subsidiaries and jointly controlled entities not recognised in the consolidated profit and loss account	<i>19</i>	–	(55)
Profit attributable to shareholders	<i>19</i>	<u>40,967</u>	<u>53,290</u>
Total recognised gains		40,967	53,235
Goodwill eliminated directly against reserves	<i>19</i>	<u>–</u>	<u>(50,000)</u>
		<u>40,967</u>	<u>3,235</u>

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain investment properties, other properties and trading investments are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 27	:	Accounting for group reconstructions
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Midland Realty (Holdings) Limited

2001 Annual Report

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Consolidation *(continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

(d) Reserve arising on consolidation

Reserve arising on consolidation comprises:


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

Capital reserve arising on shares exchange on merger which represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration therefor.

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

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

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.



Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

Goodwill on acquisitions that occurred prior to 1st January 2001 was taken to reserve arising on consolidation. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously taken to reserve arising on consolidation has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

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

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserve arising on consolidation. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated.

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

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

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(f) Other properties and fixed assets

Other properties are interests in land and buildings other than investment properties and are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Effective from 1st April 1995, no further revaluations of the Group's other properties have been carried out. The Group places reliance on paragraph 80 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

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

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

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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

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

Buildings	2%
Leasehold improvements	33 ¹ / ₃ % – 50%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

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

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

(g) Operating leases

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

(h) Trading investments

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

Midland Realty (Holdings) Limited

2001 Annual Report

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(i) Accounts receivable

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

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

(k) Contingent liabilities

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

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


(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Translation of foreign currencies

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

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



Midland Realty (Holdings) Limited

2001 Annual Report

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(n) Revenue recognition

Agency fee revenue from property broking and marketing services is recognised when the relevant agreement becomes unconditional or irrevocable.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

Mortgage brokerage income, web advertising income and other services fee income including income from property valuation and referral services are recognised when services are rendered.

Licence fee income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established.

(o) Retirement benefit costs

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

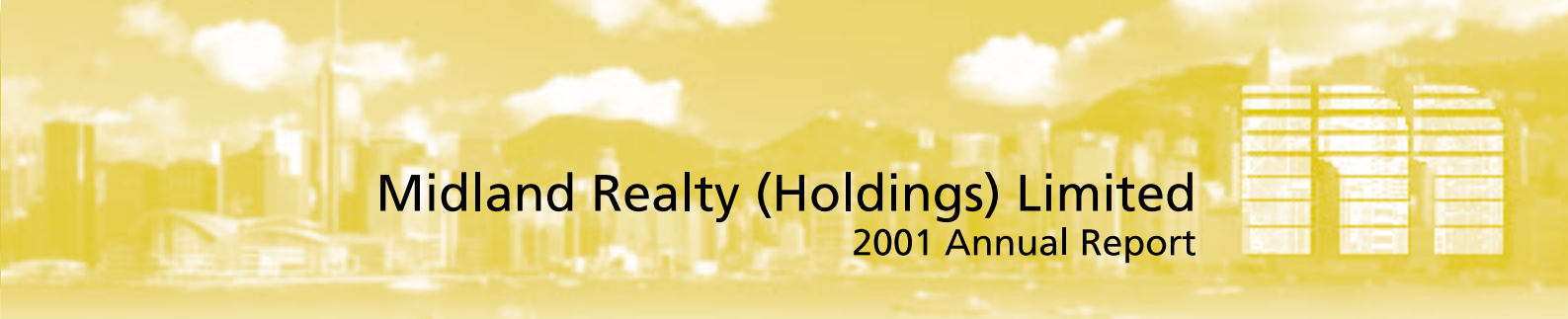
(p) Borrowing costs

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

(q) Segment reporting

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

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

The background of the top section of the page features a yellow-tinted photograph of a modern city skyline with various skyscrapers and buildings under a cloudy sky.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(r) Dividends

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

The opening retained earnings of the Group at 1st January 2000 and 2001 increased by HK\$8,847,000 and HK\$11,904,000 respectively which are the reversal of the provision for 1999 and 2000 proposed final dividend previously recorded as a liability as at 31st December 1999 and 2000 although not declared until after the balance sheet date.

The opening retained earnings of the Company at 1st January 2000 increased by HK\$8,847,000 and current liabilities decreased by the same amount which are the reversal of the 1999 proposed final dividend previously recorded as a liability as at 31st December 1999. The opening retained earnings of the Company at 1st January 2001 decreased by HK\$81,696,000 representing the reversal of the 2000 proposed final dividend of HK\$11,904,000 and dividends receivable from a subsidiary of HK\$93,600,000 for the year ended 31st December 2000.

Midland Realty (Holdings) Limited

2001 Annual Report

NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

(a) Turnover and revenues

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Agency fee revenue	916,446	780,014
Other revenues		
Bank interest income	11,955	14,855
Bond interest income	431	530
Gross rental income from investment properties	3,210	3,242
Mortgage brokerage income	790	14,507
Web advertising income	12,104	23,496
Licence fee income	502	–
Other services fee income	802	–
	<u>29,794</u>	<u>56,630</u>
Total revenues	<u>946,240</u>	<u>836,644</u>

(b) Segment information

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

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

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Segment information *(continued)*

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

	2001					
	Residential property brokerage <i>HK\$'000</i>	Industrial and commercial property brokerage <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
External sales	842,820	73,626	-	-	-	916,446
Other revenues						
External sales	-	-	3,210	14,198	-	17,408
Inter-segment sales	-	-	15,732	2,574	(18,306)	-
Segment revenues	842,820	73,626	18,942	16,772	(18,306)	933,854
Segment results	45,277	4,945	(3,312)	1,862	19,559	68,331
Unallocated costs						(18,252)
Operating profit before interest income and finance costs						50,079
Net finance costs						(41)
Share of profits less losses of jointly controlled entities	160	-	-	4,425		4,585
Profit before taxation						54,623
Taxation						(11,885)
Profit after taxation						42,738
Minority interests						(1,771)
Profit attributable to shareholders						40,967
Segment assets	294,905	20,675	211,629	35,899		563,108
Investments in jointly controlled entities	4,529	-	-	6,763		11,292
Unallocated assets						371,951
Total assets						946,351
Segment liabilities	160,171	10,057	1,045	601		171,874
Unallocated liabilities						237,410
Total liabilities						409,284
Capital expenditure	14,002	816	-	213		
Depreciation	16,586	1,308	5,228	834		
Impairment charges	-	-	7,810	-		
Other non-cash expenses	13,675	4,023	194	455		

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

	2000					
	Residential property brokerage <i>HK\$'000</i>	Industrial and commercial property brokerage <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover						
External sales	709,216	70,798	–	–	–	780,014
Other revenues						
External sales	–	–	3,242	38,003	–	41,245
Inter-segment sales	–	–	15,614	3,998	(19,612)	–
Segment revenues	<u>709,216</u>	<u>70,798</u>	<u>18,856</u>	<u>42,001</u>	<u>(19,612)</u>	<u>821,259</u>
Segment results	<u>39,697</u>	<u>6,221</u>	<u>4,966</u>	<u>17,227</u>	<u>15,677</u>	<u>83,788</u>
Unallocated costs						<u>(16,807)</u>
Operating profit before interest income and finance costs						66,981
Net finance costs						1,285
Share of profits less losses of jointly controlled entities	883	–	–	(539)		344
Profit before taxation						68,610
Taxation						<u>(12,538)</u>
Profit after taxation						56,072
Minority interests						<u>(2,782)</u>
Profit attributable to shareholders						<u>53,290</u>
Segment assets	228,740	22,133	251,893	39,493		542,259
Investments in jointly controlled entities	1,557	–	–	9,566		11,123
Unallocated assets						<u>384,153</u>
Total assets						<u>937,535</u>
Segment liabilities	150,342	11,109	1,448	337		163,236
Unallocated liabilities						<u>265,464</u>
Total liabilities						<u>428,700</u>
Capital expenditure	12,416	1,108	–	1,010		
Depreciation	21,523	1,480	5,652	831		
Other non-cash expenses	10,153	2,998	–	255		

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

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3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Crediting		
Net realised gains on trading investments	27	5
Net unrealised gains on trading investments	787	117
Charging		
Auditors' remuneration		
Charge for the year	1,250	1,134
Underprovision in prior years	116	16
Depreciation	24,020	29,511
Impairment charges on other properties (<i>note 11</i>)	7,810	–
Loss on disposal of fixed assets	8,958	854
Operating leases in respect of land and buildings	92,411	85,763
Outgoings in respect of investment properties	46	138
Provision for bad and doubtful debts	18,348	13,406
Retirement benefit costs (<i>note 9</i>)	17,496	1,422
Staff costs (<i>note</i>)	541,085	450,337

Note: Staff costs disclosed above include emoluments paid to directors of HK\$17,358,000 (2000: HK\$14,120,000).

4. FINANCE COSTS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interest on bank loans and overdrafts		
Wholly repayable within five years	8,204	10,860
Not wholly repayable within five years	–	1,134
Interest on convertible note	4,223	2,106

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5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

No provision for overseas taxation had been made in 2000 as the Group's overseas subsidiaries and jointly controlled entities had no assessable or taxable profits calculated in accordance with the tax laws of the countries in which they operated.

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

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries		
Hong Kong profits tax	12,376	13,197
Overseas taxation	117	–
Over provision in prior years	(338)	(1)
Deferred taxation (<i>note 23</i>)	(718)	(658)
	<hr/>	<hr/>
	11,437	12,538
Share of taxation attributable to jointly controlled entities	448	–
	<hr/>	<hr/>
	<u>11,885</u>	<u>12,538</u>

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$92,140,000 (2000: loss for the year, as restated, of HK\$69,780,000).

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NOTES TO THE ACCOUNTS

7. DIVIDENDS

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim, paid, of HK\$0.005 (2000: HK\$0.01) per ordinary share	2,979	5,940
Final, proposed, of HK\$0.018 (2000: HK\$0.02) per ordinary share (<i>notes (a) and (b)</i>)	10,722	11,904
Adjustment to prior year's final dividend	–	82
	<u>13,701</u>	<u>17,926</u>

Notes:

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$8,847,000 and HK\$11,904,000 respectively. Under the Group's new accounting policy as described in note 1(r), these have been written back against opening reserves as at 1st January 2000 and 2001 in note 19 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 19th March 2002 the directors declared a final dividend of HK\$0.018 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$40,967,000 (2000: HK\$53,290,000) and the weighted average number of 595,685,000 (2000: 594,058,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31st December 2001 was based on the adjusted profit of HK\$44,495,000 (2000: HK\$55,054,000) on the assumption that all outstanding convertible note had been exercised at the date of issue and had saved interest payable thereon, and 680,228,000 (2000: 655,602,000) ordinary shares which are the weighted average number of ordinary shares in issue during the year plus the weighted average of 84,543,000 (2000: 61,544,000) ordinary shares deemed to be issued at no consideration if all outstanding warrants, options and convertible note had been exercised.

9. RETIREMENT BENEFIT COSTS

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

The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund. Contributions totalling HK\$1,472,000 (2000: HK\$1,422,000) which are payable to the fund are included in accounts payable as at 31st December 2001.

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NOTES TO THE ACCOUNTS

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	240	240
Basic salaries, housing allowances, other allowances and benefits in kind	14,221	10,577
Discretionary bonuses	2,861	3,300
Contributions to MPF scheme for directors	36	3
	<u>17,358</u>	<u>14,120</u>

Directors' fees disclosed above are payable to independent non-executive directors.

Certain directors and senior management have been granted options to acquire ordinary shares of the Company under the Company's share option scheme. Details of which are set out in note 18(c).

The emoluments of the directors fell within the following bands:

<u>Emoluments bands</u>	<u>Number of directors</u>	
HK\$	2001	2000
0 – 1,000,000	4	6
1,500,001 – 2,000,000	–	1
2,000,001 – 2,500,000	1	1
2,500,001 – 3,000,000	1	–
9,000,001 – 9,500,000	–	1
12,000,001 – 12,500,000	1	–
	<u>7</u>	<u>9</u>

No directors waived their emoluments in respect of the years ended 31st December 2001 and 2000.

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NOTES TO THE ACCOUNTS

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2000: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	2,342	2,412
Compensation for loss of office	1,330	–
Discretionary bonuses	78	–
Contributions to MPF scheme	21	2
	3,771	2,414

The emoluments fell within the following bands:

Emoluments bands	Number of individuals	
HK\$	2001	2000
1,000,001 – 1,500,000	1	2
2,000,001 – 2,500,000	1	–
	1	–

Included in the above analysis is the emoluments payable to an individual who was appointed as an executive director of the Company in January 2002.

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NOTES TO THE ACCOUNTS

11. FIXED ASSETS

	Group							Total HK\$'000
	Investment properties in Hong Kong HK\$'000	Investment properties outside Hong Kong HK\$'000	Other properties in Hong Kong HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	
Cost or valuation:								
At 1st January								
2001	37,769	8,250	298,476	52,194	14,636	84,964	2,427	498,716
Additions	–	–	–	5,062	604	9,393	–	15,059
Revaluation								
(deficit)/surplus	(520)	50	–	–	–	–	–	(470)
Disposals	(13,550)	–	(18,325)	(2,717)	(620)	(1,987)	(29)	(37,228)
At 31st December								
2001	23,699	8,300	280,151*	54,539	14,620	92,370	2,398	476,077
Accumulated depreciation:								
At 1st January								
2001	–	–	20,122	44,089	12,694	67,579	1,738	146,222
Charge for the year	–	–	5,186	6,862	1,295	10,389	288	24,020
Impairment charges								
(note 3)	–	–	7,810	–	–	–	–	7,810
Disposals	–	–	(1,955)	(2,378)	(514)	(1,418)	(5)	(6,270)
At 31st December								
2001	–	–	31,163	48,573	13,475	76,550	2,021	171,782
Net book value:								
At 31st December								
2001	23,699	8,300	248,988	5,966	1,145	15,820	377	304,295
At 31st December								
2000	37,769	8,250	278,354	8,105	1,942	17,385	689	352,494

* The carrying cost of other properties in Hong Kong at 31st December 2001 of HK\$280,151,000 (2000: HK\$298,476,000) includes an amount of HK\$34,000,000 (2000: HK\$34,000,000) transferred from investment properties.

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NOTES TO THE ACCOUNTS

11. FIXED ASSETS (continued)

The analysis of the cost or valuation at 31st December 2001 and 2000 of the above assets is as follows:

	Group							Total HK\$'000
	Investment properties in Hong Kong HK\$'000	Investment properties outside Hong Kong HK\$'000	Other properties in Hong Kong HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	
At 31st December 2001:								
At cost	–	–	252,851	54,539	14,620	92,370	2,398	416,778
At 1995 professional valuation	–	–	27,300	–	–	–	–	27,300
At 2001 professional valuation	23,699	8,300	–	–	–	–	–	31,999
	<u>23,699</u>	<u>8,300</u>	<u>280,151</u>	<u>54,539</u>	<u>14,620</u>	<u>92,370</u>	<u>2,398</u>	<u>476,077</u>
At 31st December 2000:								
At cost	–	–	263,976	52,194	14,636	84,964	2,427	418,197
At 1995 professional valuation	–	–	34,500	–	–	–	–	34,500
At 2000 professional valuation	37,769	8,250	–	–	–	–	–	46,019
	<u>37,769</u>	<u>8,250</u>	<u>298,476</u>	<u>52,194</u>	<u>14,636</u>	<u>84,964</u>	<u>2,427</u>	<u>498,716</u>

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

	Group	
	2001 HK\$'000	2000 HK\$'000
In Hong Kong, held on:		
Leases of over 50 years	161,205	191,444
Leases of between 10 to 50 years	111,482	124,679
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	8,300	8,250
	<u>280,987</u>	<u>324,373</u>

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NOTES TO THE ACCOUNTS

11. FIXED ASSETS *(continued)*

Investment properties were revalued at 31st December 2001 on the basis of their open market value carried out by Chesterton Petty Limited, an independent firm of chartered surveyors. The deficit arising on revaluation amounted to HK\$470,000 (2000: HK\$5,939,000) was charged to the consolidated profit and loss account.

Other properties in Hong Kong are held by the Group for its own use.

The carrying amount of the other properties would have been HK\$248,357,000 (2000: HK\$276,958,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

At 31st December 2001, the net book value of investment properties and other properties pledged as security for the Group's long-term bank loans amounted to HK\$272,687,000 (2000: HK\$316,123,000).

The impairment charges of HK\$7,810,000 in 2001 related to other properties held in Hong Kong. The recoverable amount was determined at the cash-generating unit level and represented the net selling price of the relevant property subsequent to the year end or the estimated open market value of the relevant property as at 31st December 2001.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	108,501	108,501
Amounts due from subsidiaries	614,083	505,636
Amounts due to subsidiaries	(411,275)	(361,456)
	<u>311,309</u>	<u>252,681</u>

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

Details of principal subsidiaries are set out in note 30 to the accounts.

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NOTES TO THE ACCOUNTS

13. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	5,360	1,303
Loan to a jointly controlled entity	3,000	9,700
Amount due from a jointly controlled entity	2,932	120
	<u>11,292</u>	<u>11,123</u>

Loan to a jointly controlled entity is unsecured, interest-bearing at 3-month HIBOR and has no fixed terms of repayment.

The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

Details of the jointly controlled entities are set out in note 30 to the accounts.

14. ACCOUNTS RECEIVABLE

The accounts receivable represent principally agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts due upon the completion of the relevant agreements. At 31st December 2001, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet due	180,821	121,878
Within 30 days	22,342	9,626
31 – 60 days	11,827	8,285
61 – 90 days	8,414	5,333
Over 90 days	9,634	15,758
	<u>233,038</u>	<u>160,880</u>

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15. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

Included in other receivables, prepayments and deposits of the Group are loans due from officers as follows:

Name	Terms of the loan	Maximum amount outstanding during the year HK\$'000	Amount outstanding at 31st December 2001 HK\$'000	Amount outstanding at 31st December 2000 HK\$'000
Kwok Ying Lung	Unsecured, interest free and repayable on demand	1,354	1,354	1,308
Lo Kee Wai	Unsecured, interest bearing at prime rate and repayable on 12 months after drawdown of the loan	1,107	–	1,046
Wong Wai Wing	(note (a))	1,000	944	1,000

Notes:

- (a) This loan is secured by joint and several guarantees from the spouse and two brothers of the borrower. The loan bears interest at the higher of 7.5% or the bank deposit rate and is repayable by 48 fixed instalments with the last instalment due on 20th September 2005.
- (b) No provision has been made against the loans due from officers together with any interest due as disclosed in the above.

16. TRADING INVESTMENTS

	Group and Company	
	2001 HK\$'000	2000 HK\$'000
Corporate bonds – listed outside Hong Kong	13,186	16,184
Equity securities – listed in Hong Kong	27	28
At market value of listed trading investments	<u>13,213</u>	<u>16,212</u>

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17. ACCOUNTS PAYABLE

The accounts payable represent principally the commissions payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. As at 31st December 2001, the accounts payable included HK\$18,580,000 (2000: HK\$31,953,000) commissions payable which were due for payment within 30 days. All the remaining accounts payable were not yet due.

18. SHARE CAPITAL

(a) Share Capital

	Company	
	Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
<i>Authorised:</i>		
At 31st December 2001 and 2000	<u>1,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 31st December 1999	589,797,000	58,980
Exercise of warrants	5,892,000	589
Purchase of shares	<u>(500,000)</u>	<u>(50)</u>
At 31st December 2000	<u>595,189,000</u>	<u>59,519</u>
At 31st December 2000	595,189,000	59,519
Exercise of share options	600,000	60
Purchase of shares	<u>(100,000)</u>	<u>(10)</u>
At 31st December 2001	<u>595,689,000</u>	<u>59,569</u>

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18. SHARE CAPITAL *(continued)*

(b) Purchase of shares

During the year, the Company purchased a total of 100,000 ordinary shares of HK\$0.10 each of the Company through the Stock Exchange. Details of the purchases are as follows:

<u>Month of purchase</u>	<u>Number of shares</u>	<u>Purchase price per share</u>		<u>Aggregate consideration paid including expenses</u>
		<u>Highest paid</u>	<u>Lowest paid</u>	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>
September 2001	<u>100,000</u>	0.49	0.49	<u>49</u>

The above shares purchased were subsequently cancelled upon purchase and accordingly the issued capital of the Company was diminished by the nominal value of those shares. The premium payable on purchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained profits to capital redemption reserve (note 19).

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18. SHARE CAPITAL (continued)

(c) Share options

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

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2001	Options granted during the year	Options lapsed during the year	Balance outstanding as at 31st December 2001	Exercisable period
Directors							
Mr WONG Kin Yip, Freddie	15th May 2000	0.5312	1,300,000	–	–	1,300,000	15th May 2000 to 15th May 2003
Ms IP Kit Yee, Kitty	13th May 1997	2.91	500,000	–	500,000	–	13th May 1998 to 13th May 2001
	13th May 1997	2.91	500,000	–	–	500,000	13th May 1999 to 13th May 2002
	14th May 2001	0.5088	–	250,000	–	250,000	14th May 2002 to 14th May 2005
	14th May 2001	0.5088	–	250,000	–	250,000	14th May 2003 to 14th May 2006
Mr CHEUNG Kam Shing	18th October 1996	1.44	850,000	–	850,000	–	18th October 1998 to 18th October 2001
	19th October 2000	0.496	412,500	–	–	412,500	19th October 2001 to 19th October 2004
	19th October 2000	0.496	412,500	–	–	412,500	19th October 2002 to 19th October 2005
Total for directors			<u>3,975,000</u>	<u>500,000</u>	<u>1,350,000</u>	<u>3,125,000</u>	

There were no share options exercised by the directors in accordance with the terms of the share option scheme of the Company during the year and up to the date of the approval of the accounts.

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18. SHARE CAPITAL (continued)

(c) Share options (continued)

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

Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2001	Options granted during the year	Options exercised during the year	Options lapsed during the year	Balance outstanding as at 31st December 2001	Exercisable period
13th May 1997	2.91	500,000	–	–	500,000	–	13th May 1998 to 13th May 2001
13th May 1997	2.91	500,000	–	–	–	500,000	13th May 1999 to 13th May 2002
1st March 1998	1.30	1,288,000	–	–	31,000#	1,257,000	1st March 1999 to 1st March 2002
1st March 1998	1.30	1,833,000	–	–	31,000#	1,802,000	1st March 2000 to 1st March 2003
21st June 1999	0.86	800,000	–	–	–	800,000	21st August 1999 to 21st August 2002
21st June 1999	0.86	1,600,000	–	–	–	1,600,000	21st June 2000 to 21st June 2003
17th February 2000	0.71	750,000	–	600,000	–	150,000	17th February 2001 to 17th February 2004
17th February 2000	0.71	750,000	–	–	600,000#	150,000	17th February 2002 to 17th February 2005
14th May 2001	0.5088	–	250,000	–	–	250,000	14th May 2002 to 14th May 2005
14th May 2001	0.5088	–	250,000	–	–	250,000	14th May 2003 to 14th May 2006
Total for employees		<u>8,021,000</u>	<u>500,000</u>	<u>600,000</u>	<u>1,162,000</u>	<u>6,759,000</u>	

During the year ended 31st December 2001, certain employees resigned from the Group and their respective share options for a total of 662,000 shares lapsed accordingly.

The share options outstanding as at 31st December 2001 included a total of 1,000,000 (2000: 1,000,000) share options granted to Ms LAM Fung Fong who was appointed as an executive director of the Company on 18th January 2002. During the year ended 31st December 2001, 500,000 share options were granted to Ms LAM and 500,000 share options held by Ms LAM were lapsed in accordance with the terms of the share option scheme.

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NOTES TO THE ACCOUNTS

18. SHARE CAPITAL *(continued)*

(d) Warrants

On 11th January 2000, the Company allotted and issued 110,000,000 warrants (the “Warrants”) to professional investors by way of private placing at an issued price of HK\$0.228 per warrant. The net proceeds derived from the issue of the Warrants, amounted to approximately HK\$23,000,000 were intended to be used by the Company as to HK\$22,500,000 for upgrading its computer system for sales operation to enable its future integration with the Company’s internet website and the remaining balance would be used for general working capital purposes. As a result of the technology advancement, the total cost for upgrading the abovementioned computer system was reduced to approximately HK\$6,200,000. Accordingly, the savings would be used for general working capital purposes.

As at 31st December 2001, there was 104,108,000 outstanding warrants, which entitle the holders thereof to subscribe for the ordinary shares of HK\$0.10 each in the share capital of the Company at an initial subscription price of HK\$0.50 per share (subject to adjustment) at any time up to and including 11th January 2003. No warrants were exercised during the year ended 31st December 2001.

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19. RESERVES

	Group							
	Share premium <i>HK\$'000</i>	Capital redemption <i>HK\$'000</i>	Arising on consoli- dation <i>HK\$'000</i>	Warrant <i>HK\$'000</i>	Other properties revaluation <i>HK\$'000</i>	Exchange difference <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2000, as previously reported	63,212	1,247	13,005	–	220	(528)	333,277	410,433
Effect of adopting SSAP 9 (revised) (note 1(r))	–	–	–	–	–	–	8,847	8,847
At 1st January 2000, as restated	63,212	1,247	13,005	–	220	(528)	342,124	419,280
Purchase of own shares	(223)	–	–	–	–	–	–	(223)
Transfer from retained earnings	–	50	–	–	–	–	(50)	–
Goodwill written off	–	–	(50,000)	–	–	–	–	(50,000)
Issue of warrants	–	–	–	23,059	–	–	–	23,059
Exercise of warrants	3,592	–	–	(1,235)	–	–	–	2,357
Exchange differences	–	–	–	–	–	(55)	–	(55)
Profit for the year	–	–	–	–	–	–	53,290	53,290
1999 final dividend paid (note 7)	–	–	–	–	–	–	(8,929)	(8,929)
2000 interim dividend paid (note 7)	–	–	–	–	–	–	(5,940)	(5,940)
At 31st December 2000	<u>66,581</u>	<u>1,297</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>380,495</u>	<u>432,839</u>
Representing:								
Reserves	66,581	1,297	(36,995)	21,824	220	(583)	368,591	420,935
2000 final dividend proposed	–	–	–	–	–	–	11,904	11,904
At 31st December 2000	<u>66,581</u>	<u>1,297</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>380,495</u>	<u>432,839</u>
Company and subsidiaries	66,581	1,297	(36,995)	21,824	220	200	382,314	435,441
Jointly controlled entities	–	–	–	–	–	(783)	(1,819)	(2,602)
At 31st December 2000	<u>66,581</u>	<u>1,297</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>380,495</u>	<u>432,839</u>

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NOTES TO THE ACCOUNTS

19. RESERVES (continued)

	Group							
	Share premium HK\$'000	Capital redemption HK\$'000	Arising on consoli- dation HK\$'000	Warrant HK\$'000	Other properties revaluation HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2001, as previously reported	66,581	1,297	(36,995)	21,824	220	(583)	368,591	420,935
Effect of adopting SSAP 9 (revised) (note 1(r))	-	-	-	-	-	-	11,904	11,904
At 1st January 2001, as restated	66,581	1,297	(36,995)	21,824	220	(583)	380,495	432,839
Purchase of own shares	(39)	-	-	-	-	-	-	(39)
Transfer from retained earnings	-	10	-	-	-	-	(10)	-
Exercise of share options	366	-	-	-	-	-	-	366
Profit for the year	-	-	-	-	-	-	40,967	40,967
2000 final dividend paid (note 7)	-	-	-	-	-	-	(11,904)	(11,904)
2001 interim dividend paid (note 7)	-	-	-	-	-	-	(2,979)	(2,979)
At 31st December 2001	<u>66,908</u>	<u>1,307</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>406,569</u>	<u>459,250</u>
Representing:								
Reserves	66,908	1,307	(36,995)	21,824	220	(583)	395,847	448,528
2001 final dividend proposed	-	-	-	-	-	-	10,722	10,722
At 31st December 2001	<u>66,908</u>	<u>1,307</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>406,569</u>	<u>459,250</u>
Company and subsidiaries	66,908	1,307	(36,995)	21,824	220	200	404,238	457,702
Jointly controlled entities	-	-	-	-	-	(783)	2,331	1,548
At 31st December 2001	<u>66,908</u>	<u>1,307</u>	<u>(36,995)</u>	<u>21,824</u>	<u>220</u>	<u>(583)</u>	<u>406,569</u>	<u>459,250</u>

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

19. RESERVES (continued)

	Company					Total HK\$'000
	Share premium HK\$'000	Capital redemption HK\$'000	Warrant HK\$'000	Contributed surplus HK\$'000	Retained earnings/ (accumu- lated losses) HK\$'000	
At 1st January 2000, as previously reported	63,212	1,247	–	108,001	17,539	189,999
Effect of adopting SSAP 9 (revised) (note 1(r))	–	–	–	–	8,847	8,847
At 1st January 2000, as restated	63,212	1,247	–	108,001	26,386	198,846
Purchase of own shares	(223)	–	–	–	–	(223)
Transfer from retained earnings	–	50	–	–	(50)	–
Issue of warrants	–	–	23,059	–	–	23,059
Exercise of warrants	3,592	–	(1,235)	–	–	2,357
1999 final dividend paid (note 7)	–	–	–	–	(8,929)	(8,929)
2000 interim dividend paid (note 7)	–	–	–	–	(5,940)	(5,940)
Loss for the year	–	–	–	–	(69,780)	(69,780)
At 31st December 2000	<u>66,581</u>	<u>1,297</u>	<u>21,824</u>	<u>108,001</u>	<u>(58,313)</u>	<u>139,390</u>
Representing:						
Reserves	66,581	1,297	21,824	108,001	(70,217)	127,486
2000 final dividend proposed	–	–	–	–	11,904	11,904
At 31st December 2000	<u>66,581</u>	<u>1,297</u>	<u>21,824</u>	<u>108,001</u>	<u>(58,313)</u>	<u>139,390</u>

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

19. RESERVES (continued)

	Company					Total HK\$'000
	Share premium HK\$'000	Capital redemption HK\$'000	Warrant HK\$'000	Contributed surplus HK\$'000	Retained earnings/ (accumu- lated losses) HK\$'000	
At 1st January 2001, as previously reported	66,581	1,297	21,824	108,001	23,383	221,086
Effect of adopting SSAP 9 (revised) (note 1(r))	-	-	-	-	(81,696)	(81,696)
At 1st January 2001, as restated	66,581	1,297	21,824	108,001	(58,313)	139,390
Purchase of own shares	(39)	-	-	-	-	(39)
Transfer from retained earnings	-	10	-	-	(10)	-
Exercise of share options	366	-	-	-	-	366
Profit for the year	-	-	-	-	92,140	92,140
2000 final dividend paid (note 7)	-	-	-	-	(11,904)	(11,904)
2001 interim dividend paid (note 7)	-	-	-	-	(2,979)	(2,979)
At 31st December 2001	<u>66,908</u>	<u>1,307</u>	<u>21,824</u>	<u>108,001</u>	<u>18,934</u>	<u>216,974</u>
Representing:						
Reserves	66,908	1,307	21,824	108,001	8,212	206,252
2001 final dividend proposed	-	-	-	-	10,722	10,722
At 31st December 2001	<u>66,908</u>	<u>1,307</u>	<u>21,824</u>	<u>108,001</u>	<u>18,934</u>	<u>216,974</u>

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of net assets of underlying subsidiaries acquired as at 12th May 1995. The contributed surplus as stated in the Company's balance sheet is distributable to the shareholders. In the Group accounts, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

20. LONG-TERM BANK LOANS – SECURED

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Bank loans – secured		
Wholly repayable within five years	125,815	131,000
Not wholly repayable within five years	–	11,752
	<hr/>	<hr/>
	125,815	142,752
Current portion of long-term bank loans	(28,191)	(1,389)
	<hr/>	<hr/>
	97,624	141,363

At 31st December 2001, the Group's bank loans and overdrafts were repayable as follows:

	Group			
	Bank overdrafts		Bank loans	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Within one year	5,758	7,768	28,191	1,389
In the second year	–	–	28,280	1,525
In the third to fifth year	–	–	69,344	136,487
After the fifth year	–	–	–	3,351
	<hr/>	<hr/>	<hr/>	<hr/>
	5,758	7,768	125,815	142,752

21. CONVERTIBLE NOTE

The convertible note carries interest at 6% per annum payable in arrears and is wholly due to be repayable on 30th June 2002. The holder of the convertible note has the right to convert the whole or any part of the principal amount of the convertible note into shares of HK\$0.10 each of the Company at the price of HK\$1.20 per share, subject to adjustment, at any time in amounts not less than HK\$5,000,000.

The shares issued upon conversion shall rank *pari passu* in all respect with all other existing shares in issue at the date of the conversion and 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.

The whole of the principal amount of the convertible note will be mandatory converted if the closing price of the shares of the Company on the Stock Exchange is 35% above the conversion price for ten consecutive dealing days.

The convertible note is due to be repayable on 30th June 2002, accordingly, the convertible note was classified as current liabilities as at 31st December 2001.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

22. DEFERRED INCOME

Pursuant to a subscription agreement (the “Subscription Agreement”) dated 10th April 2000 made between Midland CyberNet Limited (“Midland CyberNet”), Hong Kong Property Services (Holdings) Limited (“HKPS Holdings”) and the Company pursuant to which HKPS Holdings agreed to subscribe for 20% of the entire issued share capital of Midland CyberNet at the subscription price of HK\$40,000,000 (the “Subscription Price”). At 30th June 2000, the completion date of the Subscription Agreement, Midland CyberNet allotted and issued 20,000 shares (the “Subscription Shares”) representing 20% of its entire issued share capital immediately after the allotment to Litech Investment Limited, the nominee appointed by HKPS Holdings. This results in a gain of approximately HK\$30,443,000 from the deemed disposal of 20% interest in Midland CyberNet by the Group.

Under the Subscription Agreement, HKPS Holdings and Midland CyberNet agreed that if within two years from 30th June 2000 Midland CyberNet is not listed (with market capitalisation of not less than HK\$250,000,000 upon listing) on a recognised stock exchange, HKPS Holdings may require the Subscription Shares be transferred to a person nominated by the Company and the Company shall pay or procure the payment of the Subscription Price and bear any stamp duty payable in relation to such transfer. Midland CyberNet also granted to HKPS Holdings an option to subscribe for such number of shares equal to 5% of the entire issued share capital of Midland CyberNet existing immediately prior to Midland CyberNet being listed on a recognised stock exchange.

The directors are of the view that the gain of HK\$30,443,000 resulting from the deemed disposal of 20% interest in Midland CyberNet shall be recognised only at the time when Midland CyberNet is successfully listed on a recognised stock exchange. Accordingly such gain is deferred and included as a non-current liability as at 31st December 2001.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

23. DEFERRED TAXATION

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January	845	1,503
Transfer to profit and loss account (<i>note 5</i>)	(718)	(658)
	<u>127</u>	<u>845</u>
At 31st December		
Provided for in respect of accelerated depreciation allowances	<u>(127)</u>	<u>(845)</u>
The potential deferred taxation not provided for in the accounts amounts to:		
Accelerated depreciation allowances	(343)	–
Tax losses	<u>27,940</u>	<u>26,568</u>
	<u>27,597</u>	<u>26,568</u>

No recognition for the tax effect on tax losses has been made in the accounts as it is uncertain that the deferred tax assets will crystallise in the foreseeable future.

The revaluation of investment properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation deficit or surplus would not result in a taxation liability.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Operating profit	62,465	82,366
Depreciation	24,020	29,511
Loss on disposal of fixed assets	8,958	854
Deficit on revaluation of investment properties	470	5,939
Impairment charges on other properties	7,810	–
Net realised and unrealised gains on trading investments	(814)	(122)
Increase in accounts receivable, other receivables, prepayment and deposits	(75,432)	(10,041)
Increase in accounts payable, other payables and accrued charges	8,184	31,634
Interest income	(12,386)	(15,385)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>23,275</u>	<u>124,756</u>

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of change in financing during the year

	Share capital, share premium and warrant <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Convertible note <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1st January 2000	122,192	137,336	–	9,538
Minority interests' in share of profits	–	–	–	2,782
New bank loan	–	131,000	–	–
Repayment of bank loans	–	(125,584)	–	–
Purchase of own shares	(273)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	(5,400)
Net proceed from issuing of warrants	23,059	–	–	–
Net proceed from exercising of warrants	2,946	–	–	–
Disposal of interest in subsidiaries	–	–	–	9,557
Issue of convertible note	–	–	70,000	–
At 31st December 2000	<u>147,924</u>	<u>142,752</u>	<u>70,000</u>	<u>16,477</u>
At 1st January 2001	147,924	142,752	70,000	16,477
Minority interests' in share of profits	–	–	–	1,771
Repayment of bank loans	–	(16,937)	–	–
Purchase of own shares	(49)	–	–	–
Exercise of share options	426	–	–	–
At 31st December 2001	<u>148,301</u>	<u>125,815</u>	<u>70,000</u>	<u>18,248</u>

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Acquisition of subsidiaries

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired		
Fixed assets	–	2,558
Accounts and other receivables	–	40,036
Bank balances and cash	158	871
Accounts and other payables	(25)	(34,700)
Investments in jointly controlled entities	(80)	–
Reimbursement of difference with guaranteed net asset value	–	11,235
	53	20,000
Goodwill	–	50,000
	53	70,000
Satisfied by:		
Issue of convertible note <i>(note 24(e))</i>	–	70,000
Cash	53	–
	53	–

(d) Analysis of the net cash inflow in respect of the acquisition of subsidiaries:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reimbursement of difference with guaranteed net asset value	–	11,235
Bank balances and cash in hand acquired	158	871
Cash consideration	(53)	–
	105	12,106

(e) Major non-cash transaction

Consideration for the acquisition of subsidiaries in 2000 comprised convertible note issued by the Company of HK\$70,000,000 *(note 24(c))*.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

25. FUTURE LEASE RENTAL PAYMENTS RECEIVABLE

At 31st December 2001, the Group had future minimum lease rental payments receivable under non-cancellable operating leases as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	3,027	2,652
Later than one year and not later than five years	518	1,601
	<u>3,545</u>	<u>4,253</u>

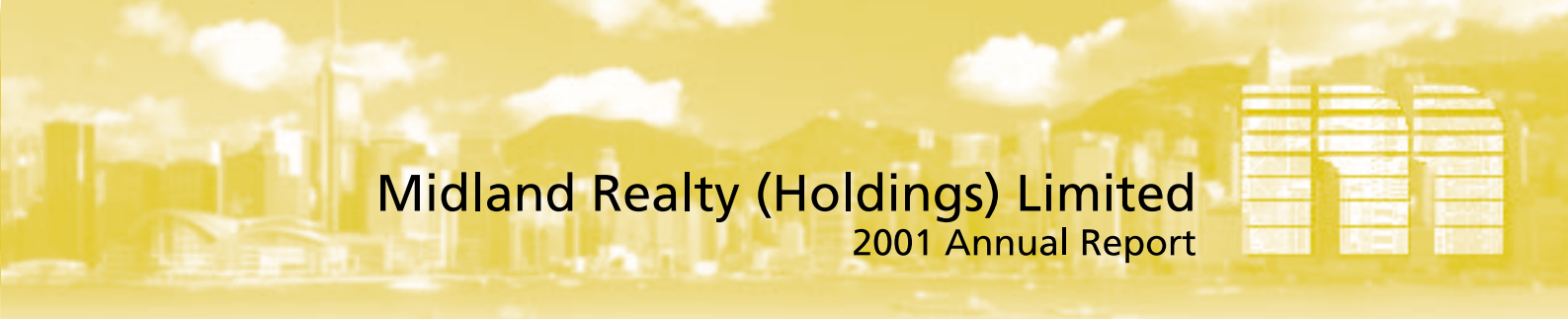
26. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office and shop premises as follows:

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	70,923	69,250
Later than one year and not later than five years	24,478	41,067
	<u>95,401</u>	<u>110,317</u>

The comparative figures of lease commitments have been restated as a result of the adoption of the SSAP 14 (revised).

At 31st December 2001, the Company did not have any significant commitments (2000: Nil).

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Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

27. PENDING LITIGATION

The Group has been involved in certain litigations in respect of property broking services. After seeking legal advice, the directors are of the opinion that adequate provision has been made in the accounts to cover any potential liabilities arising from the litigations.

28. CONTINGENT LIABILITIES

During the years ended 31st December 2001 and 2000, the Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

29. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 19th March 2002.

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

30. LIST OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

The following is a list of the principal subsidiaries and jointly controlled entities at 31st December 2001 and 2000:

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries				
<i>– directly held by the Company</i>				
Astra Profits Limited	British Virgin Islands	Investment holding in Hong Kong	4 Ordinary shares of US\$1 each	100
<i>– indirectly held by the Company</i>				
Atomic Resources Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1	100
Best Chance Realty Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100
Cyber Leader Limited	Hong Kong	Provision of referral services in Hong Kong	2 Ordinary shares of HK\$1 each	80
Grand World Advertising Company Limited	Hong Kong	Marketing and advertising management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Great Solution Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1	100
Harvest Time Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1	80

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

30. LIST OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries <i>(continued)</i>				
<i>– indirectly held by the Company (continued)</i>				
Hong Kong Property Services (Agency) Limited	Hong Kong	Property agent in Hong Kong	2 Ordinary shares of HK\$1 each	100
Merit Marketing Specialist Limited <i>(note (a))</i>	Hong Kong	Marketing services in Hong Kong	2 Ordinary shares of HK\$1 each	100
Midland (China) Property Development Limited	Hong Kong	Property agent and investment holding in Hong Kong	5,000,000 Ordinary shares of HK\$1 each	100
Midland CyberNet Limited	Hong Kong	An operator of an internet website in Hong Kong	39,100,000 Ordinary shares of HK\$1 each	80
Midland CyberNet (Strategic) Limited (formerly known as Midland CyberNet (Holdings) Limited)	Cayman Islands	Investment holding in Hong Kong	100,000 Ordinary shares of HK\$0.10 each	100
Midland Property (China) Limited	Hong Kong	Investment holding in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty (Aberdeen) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	80
Midland Realty (China) Limited <i>(note (b))</i>	The People's Republic of China (as a wholly foreign-owned enterprise)	Property agent in the People's Republic of China	US\$1,000,000	100

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

30. LIST OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries <i>(continued)</i>				
<i>– indirectly held by the Company (continued)</i>				
Midland Realty (Comm.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty Consultancy (Shanghai) Co. Ltd. <i>(note (b))</i>	The People's Republic of China (as a wholly foreign-owned enterprise)	Property agent in the People's Republic of China	US\$1,000,000	100
Midland Realty (Ind.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK\$1 each	100
Midland Realty International Limited	Hong Kong	Property agent in Hong Kong	1,000 Ordinary shares of HK\$100 each	100
Midland Realty (Kln Res.) Limited	Hong Kong	Property agent in Hong Kong	800,000 Ordinary shares of HK\$1 each	90
Midland Realty (Strategic) Limited	Hong Kong	Investment holding in Hong Kong	10,000 Ordinary shares of HK\$1 each 2,000,000 Non-voting Deferred shares of HK\$1 each	100
Midland Surveyors Limited	Hong Kong	Property valuer in Hong Kong	1,000,000 Ordinary shares of HK\$1 each	100

Midland Realty (Holdings) Limited

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NOTES TO THE ACCOUNTS

30. LIST OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES *(continued)*

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital	Interest held %
Subsidiaries <i>(continued)</i>				
<i>– indirectly held by the Company (continued)</i>				
Perfect Tower Limited	Hong Kong	Property investment in the People's Republic of China	2 Ordinary shares of HK\$1 each	100
Power Concord Limited	Hong Kong	Credit and collection management in Hong Kong	2 Ordinary shares of HK\$1 each	100
Real Gain Limited	Hong Kong	Property investment in Hong Kong	10,000 Ordinary shares of HK\$1 each	100
Worldboss Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK\$1 each	100

Name	Place of incorporation/ establishment	Principal activities and place of operation	Percentage of interest in ownership/voting power/profit sharing
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Jointly controlled entities

– indirectly held by the Company

Midland (Guangzhou) Real Estate Consultants Ltd. <i>(note (b))</i>	The People's Republic of China (as a cooperative joint venture)	Property agent in the People's Republic of China	70%/50%/70%
mReferral Corporation Limited <i>(note (b))</i>	British Virgin Islands	Investment holding in Hong Kong	33.33%/33.33%/33.33%

Notes:

(a) This subsidiary was incorporated in 2001.

(b) These subsidiaries and jointly controlled entities are not audited by PricewaterhouseCoopers, Hong Kong.

Midland Realty (Holdings) Limited

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LIST OF INVESTMENT PROPERTIES

At 31st December 2001

	Location	Lot number	Existing use	Lease term	Group's interest
1.	Shop No. 2 on Lower Ground Floor, Braemar Hill Shopping Centre, No. 45 Braemar Hill Road, North Point, Hong Kong.	IL 8398	Commercial	Long	100%
2.	Unit No. 87 on LG/F, Koway Plaza, Koway Court, No. 111 Chai Wan Road, Hong Kong.	CWIL 84	Commercial	Long	100%
3.	Shop No. 50 Cheerful Garden, No. 23 Siu Sai Wan Road, Hong Kong.	CWIL 148	Commercial	Medium	100%
4.	Portion A of Shop 2, G/F., Chevalier Garden, No. 2 Hang Shun Street, Shatin, New Territories.	STTL 258	Commercial	Medium	100%
5.	Shop No. 42, Sun Hing Garden, No. 2 On Po Lane, Tai Po, New Territories.	TPTL 26	Commercial	Medium	100%
6.	Section B of Shop No. 97A on Ground Floor, Nos. 69-119 Broadway, Phase IV of Mei Foo Sun Chuen, Lai Chi Kok, Kowloon.	NKIL 5087	Commercial	Medium	100%
7.	Units 1202, 1203 and 1204 On 12th Floor of Block 1, Henderson Centre, Beijing Jiagnomenei Avenue, Beijing Stations Street, Dongcheng District, Beijing, The People's Republic of China.	*	Commercial	Medium	100%
8.	Shop No. 21, G/F., Mayfair Centre, No. 4 Anchor Street, Tai Kok Tsui, Kowloon.	KIL 2206	Commercial	Long	100%
9.	Room 707, Fortress Tower, No. 250 King's Road, Fortress Hill, Hong Kong.	IL 8416	Commercial	Long	100%

* Property located in PRC without lot number.