

Midland Realty (Holdings) Limited

2001 Interim Report

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

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

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


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

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

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

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

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

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

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

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

(ii) SSAP 26: Segment reporting

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

(iii) SSAP 30: Business combinations

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

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

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2. Turnover and segment information

The Group is principally engaged in property broking services.

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

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

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.

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2. Turnover and segment information *(continued)*

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

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

3. Operating profit

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

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4. Taxation

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

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

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

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

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5. Dividends

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

Notes:

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

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6. Earnings per share

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

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

7. Fixed assets

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



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8. Accounts receivable

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

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

9. Accounts payable

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

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10. Long-term bank loans

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

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

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

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11. Share capital

(a) Share capital

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

(b) Warrants

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

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12. Reserves

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

13. Comparative figures

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