

Midland Realty (Holdings) Limited

2001 Interim Report

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Funding

As at 30th June 2001, the Group had bank balances and cash of HK\$347,949,000, whilst bank loans and overdrafts amounted to HK\$147,743,000. 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\$307,459,000. In addition, the Group had unutilized banking facilities amounting HK\$88,391,000 from various banks. The Group's borrowings are in Hong Kong Dollars. The bank loans and overdraft facilities were granted to the Group at the normal market interest rate.

As at 30th June 2001, the gearing ratio of the Group was 29%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

The Directors are comfortable that existing financial resources will be sufficient for its operation.

Capital Structure

During the six months ended 30th June 2001, the Company granted 500,000 share options each to a director of the Company and an employee of the Group. 38,000 and 1,000,000 share options lapsed in accordance with the terms of share option scheme due to resignation of the holders and the expiry of the exercisable period respectively.

During the period, an employee of the Group exercised his share options at a subscription price of HK\$0.71 per share in accordance with the terms of the share option scheme resulting in the issue of 600,000 new shares of HK\$0.10 each.

As at 30th June 2001, 595,789,000 ordinary shares were in issue by the Company.

Staff and Remuneration Policies

As at 30th June 2001, the Group employed 2,314 full time employees of which 1,998 were sales agents and 316 were back office supportive employees.

The Group remunerates its employees and sales agents largely based on industry practice, individual performance and experience. Payments made to employees and sales agents remain highly competitive. 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, training and development programmes are conducted on a regular basis.