

Midland Realty (Holdings) Limited

2001 Annual Report

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.