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 bright sky with scattered clouds.

# Midland Realty (Holdings) Limited

## 2001 Annual Report

### **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

## 2001 Annual Report

### 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

## 2001 Annual Report

### 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

## 2001 Annual Report

### 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

## 2001 Annual Report

### 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

## 2001 Annual Report

### 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.

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# Midland Realty (Holdings) Limited

## 2001 Annual Report

### **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