

Midland Realty (Holdings) Limited

2003 Annual Report



Management Discussion and Analysis

Liquidity, Financial Resources and Funding

As at 31st December 2003, the Group had bank balances and cash of HK\$373,430,000, whilst bank loans and overdrafts amounted to HK\$47,069,000. 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\$109,643,000 and with maturity profile set out as follows:

Repayable	<i>HK\$'000</i>
Within 1 year	26,425
After 1 year but within 2 years	11,797
After 2 years but within 5 years	8,847

The Group had unutilised banking facilities amounting to HK\$94,732,000 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 2003, the gearing ratio of the Group was 8%. 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.

Acquisition and Investment

The Company has acquired 7,664,000 shares of Chun Wo Holdings Limited ("Chun Wo"), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a total consideration including expenses of HK\$2,183,368 in 2003. Subsequent to 31st December 2003, the Group further acquired, in aggregate, 66,258,000 shares of Chun Wo for a total consideration of HK\$72,180,500. Taking into account 7,664,000 shares of Chun Wo held by the Group at 31st December 2003, the Group held in aggregate 73,922,000 shares of Chun Wo, representing approximately 10.20% of issued capital of Chun Wo.

Contingent Liabilities

The Company executed corporate guarantees 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.

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Staff and Remuneration Policies

As at 31st December 2003, the Group employed 3,684* full time employees of which 3,280 were sales agents and 404 were back office supporting 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.

* Including the employees employed by the jointly controlled entities of the Group.

Serving the Community

Established in 2000, Midland Charity Club aims at initiating the staff of the Group to actively participate in charitable activities so as to repay the society and to create a "beautiful" and "benevolent" life. During 2003, with the support of the Group and our colleagues, we completed more than 10 volunteer programmes, the target groups of which ranged from kids to senior citizens. Activities in 2003 included visits, outdoors tours, charity walk and children's drawing competition, which contributed to the well-being of the societies and provided support to people in need. During the SARS period, we launched fund raising activity within the Group for purchasing anti-SARS products for the senior citizens and the poor. The genuine efforts and contribution of Midland Charity Club to a better society were recognized by a number community organizations as well as governmental organizations. Midland Charity Club will continue initiatives in the years ahead, in line with its founding objective – "Better to give than to take".