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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Midland Realty (Holdings) Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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MIDLAND REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Acquisition”	the acquisition of, in aggregate, 73,922,000 Chun Wo Shares, representing 10.20% of the existing issued share capital of Chun Wo
“Board”	the board of Directors
“Chun Wo”	Chun Wo Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Chun Wo Share(s)”	shares of HK\$0.10 each in the share capital of Chun Wo
“Company”	Midland Realty (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Consideration”	the total consideration in the sum of HK\$74,354,986 for the purchase of 73,922,000 Chun Wo Shares
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	20 February 2004, being the latest practicable date before printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE CHAIRMAN AND THE MANAGING DIRECTOR



MIDLAND REALTY (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Executive Directors:

Mr. Wong Kin Yip, Freddie

(Chairman and Managing Director)

Ms. Ip Kit Yee, Kitty *(Deputy Chairman)*

Mr. Cheung Kam Shing *(Deputy Chairman)*

Ms. Lam Fung Fong

Independent Non-executive Directors:

Mr. Au Son Yiu

Mr. Chung Kam Wing, Calvin

Mr. Kan Chung Nin, Tony

Mr. Lai Dominic

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head Office and Principal Place of Business in Hong Kong:

Rooms 2505-8, 25th Floor

Worldwide House

19 Des Voeux Road Central

Hong Kong

24 February 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 5 February 2004, the Board announced that the Company has, during the period from 19 August 2003 up to and including 4 February 2004, acquired in the open market through brokers in aggregate 73,372,000 Chun Wo Shares, representing 10.13% of the existing issued share capital of Chun Wo for a total consideration of HK\$73,663,986.00.

The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide you with further information regarding the Acquisition.

THE ACQUISITION

The Company announced on 5 February 2004 that for a period from 19 August 2003 up to 3 February 2004, the Company has acquired in the open market through brokers a total of 67,760,000 Chun Wo Shares at a price range of HK\$0.237 to HK\$1.30 per Chun Wo Share and the Company further acquired, on 4 February 2004 in the open market through broker, in aggregate 5,612,000 Chun Wo Shares at a price range of HK\$1.22 to HK\$1.33 per Chun Wo Share, representing 0.77% of the existing issued share capital of Chun Wo for a total consideration of HK\$7,182,400.00.

LETTER FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

The Company further announced on 19 February 2004 that, for the period from 5 February 2004 up to 13 February 2004, the Company has further acquired in the open market 550,000 Chun Wo Shares at a price range of HK\$1.23 to HK\$1.30 per Chun Wo Share for a total consideration of HK\$691,000. When aggregate with the previous purchases of a total of (i) 67,760,000 Chun Wo Shares at a price range of HK\$0.237 – HK\$1.30 per Chun Wo Share during the period from 19 August 2003 up to 3 February 2004 and (ii) 5,612,000 Chun Wo Shares at a price range of HK\$1.22 to HK\$1.33 per Chun Wo Share on 4 February 2004, as at the Latest Practicable Date, the Company was interested in 73,922,000 Chun Wo Shares, representing 10.20% of the existing issued share capital of Chun Wo.

The total consideration payable for the Acquisition in the sum of HK\$74,354,986 exceed 15% of the latest published net tangible assets of the Company as at 30 June 2003 and as such constitutes a discloseable transaction for the Company.

The Company does not have any shareholding in Chun Wo prior to the Acquisition.

CONSIDERATION

The Consideration of HK\$74,354,986 was funded entirely by the internal resources of the Company.

The Consideration was arrived at after taking into consideration of various factors, including, the market price of Chun Wo it was then trading in the Stock Exchange during the period from 19 August 2003 up to and including 13 February 2004 and the average consideration payable of approximately HK\$1.01 per Chun Wo Share acquired, representing a premium of 13.48% to the unaudited net assets value per Chun Wo Share of approximately HK\$0.89 each as at 30 September 2003. The Board considers that the Consideration is fair and reasonable.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in the property broking services. The Company intends to hold the 73,922,000 Chun Wo Shares as long term investment and will be booked accordingly. The Directors had not considered investing in other companies in the same industry. However, after taking into account of the market price of Chun Wo, the expected recovery of the Hong Kong property market and the Directors' perception of the future prospects of Chun Wo in its property development, the Directors consider the Acquisition represent good investment value for the Group and is in the interest of the Company. Immediately after the Acquisition, the Company becomes a substantial shareholder of Chun Wo.

INFORMATION RELATING TO CHUN WO

Chun Wo is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange. Chun Wo is an investment holding company and its subsidiaries are principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work and property development.

LETTER FROM THE CHAIRMAN AND THE MANAGING DIRECTOR

According to the audited financial statements of Chun Wo, the audited profit attributable to its shareholders for the two years ended 31 March 2003 were HK\$41,330,000 and HK\$5,595,000 respectively and the unaudited net assets value of Chun Wo as at 30 September 2003 was HK\$645,360,000.

Chun Wo is not a connected person (as defined in the Listing Rules) of the Company and immediately after the Acquisition, the Company becomes a substantial shareholder of Chun Wo.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully,
Wong Kin Yip, Freddie
Chairman and Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

	Number of ordinary shares/underlying shares held			Percentage of shareholding
	Personal interests	Corporate interests	Family interests	
Mr. Wong Kin Yip, Freddie	12,500,000 (<i>note (a)</i>)	117,104,000 (<i>note (b)</i>)	–	18.40%
Ms. Ip Kit Yee, Kitty	810,000 (<i>note (c)</i>)	–	–	0.11%
Mr. Cheung Kam Shing	321,000 (<i>note (d)</i>)	–	–	0.05%
Ms. Lam Fung Fong	575,000 (<i>note (e)</i>)	–	685,000 (<i>note (f)</i>)	0.18%

Notes:

- (a) These shares are held by Mr. Wong Kin Yip, Freddie as beneficial owner.
- (b) These shares are owned by Sunluck Services Limited, a private company controlled by Mr. Wong Kin Yip, Freddie through Southern Field Trading Limited.
- (c) These shares are held by Ms. Ip Kit Yee, Kitty as beneficial owner.
- (d) These shares are held by Mr. Cheung Kam Shing as beneficial owner.
- (e) These shares are held by Ms. Lam Fung Fong as beneficial owner.
- (f) These shares are held by the spouse of Ms. Lam Fung Fong.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange

pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDER'S INTERESTS

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than a director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

The Company

Name	Number of shares	Percentage of shareholding	
Sunluck Services Limited	117,104,000	16.62%	(note (a))
Southern Field Trading Limited	117,104,000	16.62%	(note (b))
Arisaig Greater China Fund	79,598,000	11.30%	(note (c))
Arisaig Partners (Mauritius) Limited	79,598,000	11.30%	(note (d))
Lindsay William Ernest Cooper	79,598,000	11.30%	(note (e))
Universities Superannuation Scheme Limited	37,950,000	5.39%	(note (f))
J.P. Morgan Chase & Co.	46,606,000	6.62%	(note (g))

Notes:

- (a) These shares are held by Sunluck Services Limited as beneficial owner and duplicate the interest held by Mr. Wong Kin Yip, Freddie in the Company.
- (b) Sunluck Services Limited is a wholly owned subsidiary of Southern Field Trading Limited and Southern Field Trading Limited is accordingly taken to have an interest in the 117,104,000 shares in which Sunluck Services Limited is interested. The interest of Southern Field Trading Limited in the Company duplicate those of Mr. Wong Kin Yip, Freddie and Sunluck Services Limited.
- (c) These shares are held by Arisaig Greater China Fund as beneficial owner.
- (d) These shares are held by Arisaig Partners (Mauritius) Limited as the investment manager of Arisaig Greater China Fund and duplicate the interest held by Arisaig Greater China Fund in the Company.
- (e) Arisaig Partners (Mauritius) Limited is indirectly owned as to 33.33% by Lindsay William Ernest Cooper and Lindsay William Ernest Cooper is accordingly taken to have an interest in the 79,598,000 shares in which Arisaig Partners (Mauritius) Limited is interested. The interest of Lindsay William Ernest Cooper in the Company duplicates those of Arisaig Greater China Fund and Arisaig Partners (Mauritius) Limited.
- (f) Universities Superannuation Scheme Limited is holding the 37,950,000 shares as trustee.
- (g) The interest of J.P. Morgan Chase & Co. comprises 40,880,000 shares held in a lending pool and 5,726,000 shares held as investment manager.

All the interests disclosed above (save and except those 40,880,000 shares held by J.P. Morgan Chase & Co. in a lending pool) represent long position in the shares of the Company.

Subsidiaries

Name of subsidiary of the Company	Name of substantial shareholder	Number of shares held in the subsidiary	Percentage of shareholding
Midland Realty (Aberdeen) Limited	Chan Kwan Hing	100,000	20%
Midland Realty (Kln Res.) Limited	Law Kwok On	80,000	10%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or was, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or any options in respect of such capital.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors have any existing or proposed service contract with the Company or any of its subsidiaries excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. GENERAL

- (i) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is located at Rooms 2505-8, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong.
- (ii) The secretary of the Company is Mr. Chan Kin Chu, Harry. He is a solicitor admitted to practice in Hong Kong.
- (iii) The English text of this circular shall prevail over the Chinese text.