



Mr. Wong Kin Yip, Freddie
Chairman and Managing Director

BUSINESS REVIEW

In financial year 2000, the Group recorded total revenues of HK\$836,644,000, up 12% from the 1999 level. Profit before taxation surged 21% to HK\$68,610,000 from the year-ago level. Profit attributable to shareholders rose 5% to HK\$53,290,000, translating into a 5% gain in basic earnings per share of HK\$0.09 per share. The Directors recommend a final dividend of HK\$0.02 per share, together with the interim dividend of HK\$0.01 per share, making a total of HK\$0.03 per share for the full year.

The property market was unstable throughout the year. Except for a noticeable increase in the third quarter, property transaction volume shrank in the rest of the period. By the Land Registry's tally, 85,744 purchase-and-sale transactions took place in 2000, down 13% from the year-ago level of 98,466. Meanwhile, the value of property transaction suffered a similar decline. The Group recorded a 14% increase in sales and rental transactions to 30,046 from the 1999 level of 26,414. Clearly, the Group had outperformed the market by taking a more proactive stance.

The Group was able to achieve the desired synergetic effect with the acquisition of Hong Kong Property Services (Agency) Limited in June 2000. Almost instantly, we acquired a sizeable market share, branch network and agent workforce to gain us a competitive edge, which lead us to be the largest property agency in Hong Kong.

The Group continued to pursue a policy of cost control steadfastly. In the reporting period, we managed to renegotiate rental rates for 37 branches to lower levels of between 2 to 81%, thus reducing overall rental cost by 16% from the 1999 level. On the other hand, our provision for bad and doubtful debts plunged 36% to HK\$13,406,000.



Midland Realty and Hong Kong Property have been awarded "Henderson Best-Selling Award for Year 2000", which is granted to the best-performing agent.



Hong Kong Property

Midland Realty

Henderson Best-Selling Award for Year 2000.

Meanwhile, the Group's efforts to develop related businesses to foster core profession this year is beginning to bear fruit. For example, Midland CyberNet Limited, the Group's e-commerce vehicle, enjoyed a considerable revenue increase. The Group made further commitment to e-commerce by forming an equal three-party venture with Cheung Kong (Holdings) Limited and American Express Bank Limited in September 2000 to launch mReferral Corporation Limited ("mReferral"), a first-of-its-kind service offering mortgage brokerage and financial advice services.

BUSINESS PLAN AND OUTLOOK

Seize Chance in Recovering Market

Interest rates worldwide have begun a downtrend in 2001. As a result, the affordability of the average homebuyer is on the mend. The Government has retreated from its interventionist policy, notably by reducing the development of Home Ownership Scheme units and the scale of land sales of which largely stimulated consumer confidence. Anticipating a fairly robust recovery, the Group is poised to take up this precious opportunity to bring shareholders the highest possible returns.

Expand Strategically, Recruit Aggressively

In 2000, 20% of real estate agents were forced out of the market. The same volatile situation will prevail this year, with large agencies such as the Group enjoying a clear competitive edge. To position us for an even larger market share, we shall open branches at geographically planned locations, recruit agents aggressively, and reinforce our rigorous training regimen.

Further Diversification

mReferral, the Group's joint venture company, had set a record of arranging the lowest mortgage loan rate of prime less 2.9125%. Besides benefiting

the Group's own customers directly for the best mortgage plan, mReferral also had helped the Group to secure sole agency contracts with developers for primary-market projects. The Group will make good use of the competitive edge of mReferral to strengthen core business and will continue to seek strategic alliances for value added services in our operation.

Empower Information Technology

The Group has been able to make breakthrough in its IT-related business repeatedly. "Cyber Search" in our website is being enhanced continuously to offer more functions and listings. An increase hit rate to well over 1,000,000 per day, indeed has helped to reduce our need to advertise, thus saving cost considerably. The Group plans to install the most advanced "Midland Realty Management System" at branches to enhance the efficiency of property search this year. Sixty-five per cent of running cost saving is expected.

Explore PRC Market

China's property market is sure to take off as it gains entry to the World Trade Organisation. Anticipating this, the Group is seeking to establish presence in 15 strategic locations, including Beijing, Chongqing, Fuzhou and Dailian, and to staff these locations sufficiently. In time, income contribution from our PRC business is expected to be increasingly significant.

APPRECIATION

We deeply understand that elite is the main factor for the Group to inspire and succeed. On behalf of the Directors, I hereby thank our shareholders for their continued support and all our staff for their vigorous effort and devoted contribution.

By Order of the Board
WONG Kin Yip, Freddie
Chairman and Managing Director

Hong Kong, 20th March 2001