

The directors submit their report together with the audited accounts for the year ended 31st December 2000.

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 pages 52 to 56.

An analysis of the Group's turnover and contribution to consolidated trading results by principal activities 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 for the year are set out in the consolidated profit and loss account on page 19.

The directors have declared an interim dividend of HK\$0.01 per ordinary share, totalling HK\$5,940,000, which was paid on 17th October 2000.

The directors recommend the payment of a final dividend of HK\$0.02 per ordinary share totalling HK\$11,904,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 19 to the accounts.

DISTRIBUTABLE RESERVES

At 31st December 2000, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$131,384,000.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$113,500.

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 pages 57 to 58.

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.

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 6.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, 500,000 ordinary shares of HK\$0.10 each of the Company were purchased

PURCHASE, SALE OR REDEMPTION OF SHARES (continued)

by the Company at prices ranging from HK\$0.52 to HK\$0.58 per share through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the share purchase are set out in note 18 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

Non-executive directors

Mr AU Son Yiu*#
Mr CHUNG Kam Wing, Calvin*#
Mr KAN Chung Nin, Tony*
Mr LAI Dominic*
Mr FUNG Yui Sum
(resigned on 16th February 2000)
Mr WONG Kin Wah, George
(resigned on 19th April 2000)

* independent non-executive directors

members of audit committee

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.

DIRECTORS' SERVICE CONTRACTS

On 1st May 1998, Mr WONG Kin Yip, Freddie entered into a service agreement with the Company for a period of 3 years from 1st May 1998 to 30th April 2001.

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 51, 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 28 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Executive directors (continued)

Ms IP Kit Yee, Kitty, aged 41, 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.

Mr CHEUNG Kam Shing, aged 37, 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 14 years and was appointed as an executive director of the Company in June 1998.

Independent non-executive directors

Mr AU Son Yiu, aged 56, is a registered investment adviser and 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 54, 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 50, LL.B., P.C.L.L., 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 the 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Independent non-executive directors (continued)

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 54, is a senior partner of the Hong Kong law firm of Lu, 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.

Senior Management

Mr CHAN Kwan Hing, aged 37, 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 37, 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.

Ms LAM Fung Fong, aged 39, is the associate director (finance) and company secretary, and appointed as a director of the e-commerce, property investment and property management companies of the Group. She has over 15 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 functions, legal and company secretarial departments, and property administration function of the Group. Ms LAM joined the Group in 1995.

Mr LAW Kwok On, aged 40, 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 11 years.

Mr LO Kee Wai, aged 40, chief financial officer, is a fellow member of the Chartered Association of Certified Accountants, an associate member of the Hong Kong Society of Accountants and the Certified General Accountants' Association of Canada, and a Chartered Financial Analyst. Before joining the Group in 1999, he had worked for a leading international accounting firm and three large listed conglomerates in Hong Kong. He has over 16 years of experience in the corporate finance and accounting fields.

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

Pursuant to the Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, the following connected transaction is required to be disclosed:—

On 7th September 2000, Harvest Time Investments Limited ("Harvest Time"), an indirect 80% owned subsidiary of the Company, the Company, Market Model Investments Limited ("Market Model") (an indirect wholly owned subsidiary of Cheung Kong (Holdings) Limited ("Cheung Kong")), Cheung Kong, Amex Cyber International Limited ("Amex Cyber") (an indirect wholly owned subsidiary of American Express Bank Limited ("American Express")), American Express and mReferral Corporation Limited ("mReferral") entered into a shareholders' deed (the "Shareholders' Deed") to invest in and operate mReferral and its subsidiaries, which are principally engaged in provision of referral services for mortgage and consumer loans and other value-added services to customers. Each of Harvest Time, Market Model and Amex Cyber will have a one-third equity interest in mReferral and each of the Company, Cheung Kong and American Express agreed to give a guarantee and indemnity in respect of the due performance of obligations of its relevant subsidiary under the Shareholders' Deed.

On completion of the Shareholders' Deed, each of Harvest Time, Market Model and Amex Cyber advanced a shareholder's loan of HK\$9,700,000 to mReferral for its pre-operating and operating expenses. The Shareholders' Deed provided that, subject to unanimous approval by the board of directors of mReferral, further working capital requirements of mReferral will be satisfied by proceeds from further subscription of shares in mReferral and advance of shareholders' loans in accordance with their respective proportion of shareholdings in mReferral.

Cheung Kong indirectly owns 20% of the issued share capital in Midland CyberNet Limited, which is an indirect subsidiary of the Company. Accordingly, both Cheung Kong and Market Model are connected persons of the Company for the purposes of the Listing Rules. The entering into of the Shareholders' Deed with the proposed injection of capital and shareholder's loan by Harvest Time to mReferral and the giving of a guarantee and indemnity by the Company to Cheung Kong and Market Model in respect of the due performance of obligations of Harvest Time constitute a connected transaction for the Company under Rule 14.25 of the Listing Rules.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

At 31st December 2000 the interests of the directors and chief executive 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

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES (continued)

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 (note (a)) 14,198,000	162,500,000 (note (b))	31.79%
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 executive 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 to the accounts.

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 shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2000, the register of the substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed 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 an 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 2000 are set out on pages 52 to 56.

BANK LOANS, OVERDRAFTS, CONVERTIBLE NOTE AND OTHER BORROWINGS

An analysis of bank loans and overdrafts at 31st December 2000 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 2000.

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 directors and the Company's auditors in matters coming within the scope of the Group audit. 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.

SUBSEQUENT EVENTS

The Company had applied to and the Stock Exchange had granted the approval for the listing of, and permission to deal in, the 104,108,000 warrants in registered form carrying aggregate subscription rights of HK\$52,054,000 in units of subscription rights of HK\$0.50 each entitling the holders thereof to subscribe in cash for new shares of the Company of HK\$0.10 each at the subscription price of HK\$0.50 per share (subject to adjustment) from 11th January 2000 to and including 11th January 2003. The dealings in the warrants on the Stock Exchange commenced on 3rd January 2001 under the stock short name of Midland W0301 and stock code of 589.

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, 20th March 2001