

Report of the Directors

Directors

The Directors submit their report together with the audited financial statements for the Year.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

Details of the analysis of the Group's performance for the year by business segments are set out in note 5(b) to the financial statements.

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 income statement on page 40.

The Directors declared an interim dividend of HK\$0.028 per ordinary share, totalling HK\$20,571,000, which was paid on 16th October 2006.

The Directors recommend the payment of a final dividend of HK\$0.072 per ordinary share to shareholders whose names appear on the register of members of the Company on 23rd April 2007. Taking into account of the interim dividend payment, total dividends for the year would amount to HK\$73,308,000, a decrease of 15% over last year. The final dividend will be paid on or around 3rd May 2007.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$1,634,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Investment Properties

Details of the principal properties held for investment purposes are set out on page 103.

Share Capital and Share Options

Details of the movements in share capital and share options of the Company and in share options of its non-wholly-owned subsidiary during the year are set out in note 28 to the financial statements.

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 of Bermuda.

Distributable Reserves

At 31st December 2006, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$354,829,000.

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 104.



Report of the Directors (continued)

Purchase, Sale or Redemption of Shares

During the Year, a total of 2,212,000 shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$3.65 to HK\$3.99 per share through the Stock Exchange. The Directors considered the share purchases would lead to an enhancement of the Group's earnings per share. Details of the purchases are as follows:

Month	Total number of the shares purchased	Purchase price per share		Aggregate price HK\$
		Highest HK\$	Lowest HK\$	
October 2006	1,678,000	3.79	3.65	6,252,060
December 2006	534,000	3.99	3.94	2,120,360
	<u>2,212,000</u>			<u>8,372,420</u>

Save as disclosed above, neither the Company nor its subsidiary companies had purchased or sold any of the Company's shares and the Company had not redeemed any of its shares during the year.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of other than statutory compensation.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company 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.

Share Option Scheme

Midland Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30th April 2002, the Company adopted the share option scheme (the "Share Option Scheme"). A summary of the Share Option Scheme is as follows:

(1) Purpose

The principal purposes of the Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest ("Invested Entity"), to recognise the significant contribution of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(2) Eligible persons

- (i) any employee (whether full or part time and including executive director) of any member(s) of the Group or any Invested Entity; or
- (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; or
- (iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

(3) Total number of shares available for issue

Total number of shares available for issue are 42,895,583, representing approximately 5.86% of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options), in any 12-month period must not exceed 1% of the shares in issue.

Report of the Directors (continued)

Share Option Scheme (continued) Midland Share Option Scheme (continued)

(5) Maximum entitlement of each Eligible Person who is a connected person

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares in issue and the aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

(6) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Directors to each eligible person who accepts an offer in accordance with the terms of the Share Option Scheme, provided that it shall commence on a date not be more than ten years from the date of grant.

(7) Acceptance of offer

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.00.

(8) Basis of determining the subscription price

The subscription price under the Share Option Scheme shall be a price determined by the Directors at its absolute discretion and shall be no less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and
- (iii) the nominal value of a share.

(9) The remaining life of the Share Option Scheme

The Share Option Scheme became effective on 30th April 2002 and will remain in force for a period of 10 years from that date.

Certain participants of the Company have been granted options under the Share Option Scheme to subscribe for shares in the Company. Particulars and movements of share options outstanding during the year under the Share Option Scheme are as follows:

Participant	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2006	Options lapsed during the year	Balance outstanding as at 31st December 2006	Exercisable period
Group Consultant	6th December 2005	3.52	918,329	918,329	–	1st June 2006 to 31st May 2009
		3.52	918,329	918,329	–	1st December 2006 to 30th November 2009
		3.52	918,329	918,329	–	1st June 2007 to 31st May 2010
		3.52	918,330	918,330	–	1st December 2007 to 30th November 2010
Total			<u>3,673,317</u>	<u>3,673,317</u>	<u>–</u>	

Save as disclosed above, no share option had been granted, exercised or lapsed under the Share Option Scheme during the Year.



Report of the Directors (continued)

Share Option Scheme (continued)

EVI Education Asia Limited ("EVI") Share Option Scheme

At an extraordinary general meeting of EVI held on 6th June 2005, a new share option scheme (the "EVI Share Option Scheme") of EVI was adopted and approved by its shareholders.

The major terms of the EVI Share Option Scheme are summarized as follows:

(a) *Purpose of the EVI Share Option Scheme*

The principal purposes of the EVI Share Option Scheme are to enable EVI and its subsidiaries ("EVI Group") and its Invested Entities to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the EVI Group or Invested Entities, to recognise the contributions of the Eligible Persons to the growth of the EVI Group or Invested Entities by rewarding them with opportunities to obtain ownership interest in EVI and to motivate and give incentives to these Eligible Persons to continue to contribute to the long term success and prosperity of the EVI Group or Invested Entities.

(b) *Participants of the EVI Share Option Scheme*

The board of EVI (the "EVI Board") may invite any Eligible Person as the EVI Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the EVI Group or Invested Entity.

(c) *Total number of shares available for issue*

Total number of shares available for issue are 747,000,000, representing approximately 9% of the issued share capital of EVI as at the date of this report.

(d) *Maximum entitlement of each Eligible Person*

The maximum number of shares issued and to be issued upon exercise of options granted under the EVI Share Option Scheme and any other share option schemes of EVI to each eligible person, in any 12-month period must not exceed 1% of the shares in issue.

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of EVI and, for so long as EVI remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

(e) *Maximum entitlement of each Eligible Person who is a connected person*

The maximum number of shares issued and to be issued upon exercise of options granted under the EVI Share Option Scheme and any other share option schemes of EVI to each eligible person who is an independent non-executive director or substantial shareholder of EVI, in any 12-month period shall not exceed 0.1% of the shares in issue and the aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by EVI and shall be separately approved by the shareholders of EVI and, for so long as EVI remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

(f) *Time of exercise of Option*

The EVI Share Option Scheme will remain in force for a period of 10 years commencing from the Adoption Date, after which no further Options shall be granted. The options which are granted during the life of the EVI Share Option Scheme may, however continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the EVI Share Option Scheme shall remain in full force and effect.

Report of the Directors (continued)

Share Option Scheme (continued)

EVI Share Option Scheme (continued)

(g) Basis of determining the subscription price

The subscription price for the shares under the EVI Share Option Scheme shall be a price determined by the EVI Board at its absolute discretion and notified to an Eligible Person but shall not be less than the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date;
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date and
- (iii) the nominal value of a share.

(h) Remaining life of the EVI Share Option Scheme

EVI Share Option Scheme became effective on 6th June 2005 will remain in force for a period of 10 years from the date of adoption.

Share options were granted to a non-executive director of EVI under the EVI Share Option Scheme during the year. Particulars and movements of share options outstanding during the year under the EVI Share Option Schemes are as follows:

Name	Date of grant	Exercise price HK\$	Balance outstanding as at 1st January 2006	Options granted during the year	Balance outstanding as at 31st December 2006	Exercisable period
Mr TSANG Link Carl, Brian	16th January 2006	0.06	–	41,500,000	41,500,000	1st April 2006 to 31st March 2009
		0.06	–	41,500,000	41,500,000	1st June 2006 to 31st May 2009
			–	83,000,000	83,000,000	

Save as disclosed above, no share option had been granted, exercised or lapsed under the EVI Share Option Scheme during the year.

Directors' Interests in Shares

As at 31st December 2006, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

The Company

Name of Directors	Number of Shares			Total	Percentage of Shareholding
	Personal Interests	Corporate Interests	Family Interests		
Mr WONG Kin Yip Freddie	29,636,000	107,494,144	–	137,130,144	18.72%
Ms TANG Mei Lai, Metty	–	–	137,130,144 (note)	137,130,144	18.72%
Ms LAM Fung Fong	14,000	–	–	14,000	0.002%



Report of the Directors (continued)

Directors' Interests in Shares (continued)

Note:

These shares represent the same block of shares held by Mr WONG Kin Yip, Freddie, the spouse of Ms TANG Mei Lai, Metty, as beneficial owner.

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

Save as disclosed above, as at 31st December 2006, none of the Directors nor the chief executives of the Company had or was deemed to have 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).

Substantial Shareholders' Interests in Shares

As at 31st December 2006, the interests or short positions of every person other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and the amounts of such interests and short position were as follows:

Name	Number of Shares	Capacity	Percentage of Shareholding
Sunluck Services Limited	107,494,144 (L)	Corporation interest	14.68% (Note)
Southern Field Trading Limited	107,494,144 (L)	Interest in controlled corporation	14.68% (Note)
The Capital Group Companies, Inc.	59,374,000 (L)	Investment manager	8.11%
J.P. Morgan Chase & Co.	50,514,000 (P) 468,000 (L)	Approved lending agent Beneficial owner	6.90% 0.06%
Third Avenue Management LLC	50,786,000 (L)	Investment Manager	6.93%
Universities Superannuation Scheme Limited	37,950,000 (L)	Trustee	5.18%

Remark: (L) – Long Position, (P) – Lending Pool

Note:

These shares represent the same block of shares. Sunluck Services Limited is a wholly-owned subsidiary of Southern Field Trading Limited which interest duplicates those of Mr WONG Kin Yip, Freddie in the Company.

Major Customers and Suppliers

During the year, the Group purchased less than 30% of its services from its five largest suppliers. Sales to the five largest customers accounted less than 30% of the total sales for the year.

Related Party Transactions

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business. Further details are set out in note 36 to the financial statements.

Some of these transactions also constitute “Connected Transaction” (including “Continuing Connected Transaction”) under Chapter 14A of the Listing Rules, as identified below.

Report of the Directors (continued)

Connected Transactions

- a. A tenancy arrangement was made on 15th April 2005 between Systems Gold Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Get Best Industries Limited (“Get Best”), a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, the Chairman and substantial shareholder of the Company (“Mr Freddie Wong”), as the landlord whereby the landlord agreed to lease a premises located at Ground Floor with cockloft, No.135 Thomson Road, Wanchai, Hong Kong as its shop.

The abovementioned tenancy agreement was renewed by a new tenancy agreement entered into between the landlord and tenant on 21st April 2006 for a term of twelve months commencing from 1st June 2006 to 31st May 2007 at a monthly rental of HK\$58,000 (the “Get Best Continuing Leasing Transaction”).

- b. On 15th April 2005, a tenancy agreement (the “Vision Dynasty Tenancy Agreement”) was entered into between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Vision Dynasty Limited (“Vision Dynasty”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Shop E, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of two years commencing from 16th April 2005 to 15th April 2007 at a monthly rental of HK\$73,000 (the “Vision Dynasty Continuing Leasing Transaction”).
- c. On 15th April 2005, a tenancy agreement (the “Goal Precise Tenancy Agreement”) was entered into between Topwick Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Goal Precise Limited (“Goal Precise”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Shop F, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of two years commencing from 16th April 2005 to 15th April 2007 at a monthly rental of HK\$75,000 (the “Goal Precise Continuing Leasing Transaction”).
- d. On 30th May 2005, a tenancy agreement (the “Metty Tang Tenancy Agreement”) was entered into between 美聯物業代理(深圳)有限公司 (Midland Realty (Shenzhen) Limited), an indirect wholly-owned subsidiary of the Company, as the tenant and Ms TANG Mei Lai, Metty (“Ms Metty Tang”), the Company’s Deputy Chairman and Executive Director and the spouse of Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at 1B01, SEG Plaza, Huaqiang North Road, Shenzhen, the People’s Republic of China as its shop for the term of three years commencing from 1st June 2005 to 31st May 2008 at a monthly rental of HK\$39,024 (RMB40,000) (the “Metty Tang Continuing Leasing Transaction”). The Metty Tang Continuing Leasing Transaction has been terminated on 31st October 2006.
- e. On 30th June 2005, a tenancy agreement (the “Capital Delta Tenancy Agreement”) was entered into between Orient Sheen Limited, an indirect wholly-owned subsidiary of the Company, as the tenant and Capital Delta Profits Limited (“Capital Delta”), a company incorporated in Hong Kong and wholly-owned by Mr Freddie Wong, as the landlord whereby the landlord agreed to let to the tenant a premises located at Units B1, B2 and B3 on 29th Floor, Tower 1, Admiralty Centre, No.18 Harcourt Road, Hong Kong as its office for the term of two years commencing from 1st July 2005 to 30th June 2007 at a monthly rental of HK\$214,000 with an option to renew for a further two years (the “Capital Delta Continuing Leasing Transaction”).

The Get Best Tenancy Agreement, the Vision Dynasty Tenancy Agreement, the Goal Precise Tenancy Agreement, the Metty Tang Tenancy Agreement and the Capital Delta Tenancy Agreement are collectively referred as the “Tenancy Agreements”.

The Get Best Continuing Leasing Transaction, the Vision Dynasty Continuing Leasing Transaction, the Goal Precise Continuing Leasing Transaction, the Metty Tang Continuing Leasing Transaction and the Capital Delta Continuing Leasing Transaction are collectively referred as the “Continuing Leasing Transactions”.

Get Best, Vision Dynasty, Goal Precise and Capital Delta are wholly-owned by Mr Freddie Wong, and Ms Metty Tang is the spouse of Mr Freddie Wong. Accordingly, Get Best, Vision Dynasty, Goal Precise, Capital Delta and Ms Metty Tang are connected persons of the Company and the entering into the Tenancy Agreements constitutes connected transactions under the Listing Rules.

As it is expected that the relevant percentage ratios involved under the Tenancy Agreements are more than 0.1% but less than 2.5%, the connected transactions as completed under the Tenancy Agreements are exempt from the independent shareholders’ approval requirements but subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.



Report of the Directors (continued)

Connected Transactions (continued)

The Independent Non-executive Directors of the Company have reviewed the Continuing Leasing Transaction and confirmed that in their opinion, the Continuing Leasing Transactions were carried out:

- i. in the ordinary and usual course of the business of the Company;
- ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- iii. in accordance with the relevant agreement (if applicable) on terms that are fair and reasonable and in the interests of the independent shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain procedures on the Continuing Leasing Transactions and reported that:

- i. the Continuing Leasing Transactions received the approval of the Board of the Company;
- ii. the Continuing Leasing Transactions were entered into in accordance with the terms as set out in the Tenancy Agreements; and
- iii. the Continuing Leasing Transactions have not exceeded the annual cap stated in the relevant announcements.

Retirement Scheme

Details of the Company's retirement scheme are set out in note 7 to financial statements.

Principal Subsidiaries and Jointly Controlled Entities

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2006 are set out in note 37 to the financial statements.

Bank Loans, Overdrafts and Other Borrowings

An analysis of bank loans and overdrafts at 31st December 2006 is set out in note 30 to the financial statements. Apart from the above, the Group had no other borrowings as at 31st December 2006.

Emolument Policy

The emoluments of the Directors of the Company are determined by taking into consideration of their duties and responsibilities with the Company, the market rate and their time, effort and expertise to be input into the Group's affairs, the Company's performance and the Company's remuneration policy.

Directors' Interest in Competing Business

None of the Directors has an interest in any business constituting a competing business to the Group.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

Auditors

The financial statements 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, 12th March 2007