美聯工商舖
MIDLAND IC&I

MIDLAND IC&I LIMITED
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
(Stock Code 股份代號：8090)

創富良伴
實力之選

Annual Report
年報2007

* For identification purposes only
僅供識別

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")
香港聯合交易所有限公司(「聯交所」)創業板(「創業板」)之特色

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.
創業板為帶有高投資風險之公司提供一個上市之市場。尤其在創業板上市之公司毋須有過往溢利紀錄，亦毋須預測未來溢利。此外，在創業板上市之公司可能因其新興性質及該等公司經營業務之行業或國家而帶有風險。有意投資之人士應了解投資該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他資深投資人士。

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.
由於創業板上市公司的新興性質所然，在創業板買賣的證券可能會較於主板買賣的證券承受較大的市場波動風險，同時無法保證在創業板買賣的證券會有高流通量的市場。

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.
創業板主要通過聯交所為創業板而設之互聯網網頁發布消息。上市公司一般毋須在憲報指定報章刊登付款公布披露資料。因此，有意投資之人士應注意彼等須閱覽創業板網站，以便取得創業板上市發行人之最新資料。

This report, for which the directors of Midland IC&I Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Midland IC&I Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.
本年報(美聯工商舖有限公司董事共同及個別對此負上全責)所載資料乃遵照創業板證券上市規則之規定提供有關美聯工商舖有限公司之資料。各董事在作出一切合理查詢後確認，就其所深知及確信：(1)本年報所載資料在各重要方面均屬準確及完整，且並無誤導成分；(2)本年報並無遺漏其他事宜，以致本年報任何內容產生誤導；及(3)本年報所表達一切意見乃經審慎周詳考慮後始行作出，並建基於公平合理之基準及假設。

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Corporate Information

Board of Directors

Executive Directors
Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*
Ms. IP Kit Yee, Kitty *(Managing Director)*
Ms. WONG Ching Yi, Angela

Non-executive Director
Mr. TSANG Link Carl, Brian

Independent Non-executive Directors
Mr. HO Kwan Tat, Ted
Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung, William

Audit Committee
Mr. KOO Fook Sun, Louis *(committee chairman)*
Mr. HO Kwan Tat, Ted
Mr. SHA Pau, Eric
Mr. YING Wing Cheung, William

Remuneration Committee
Ms. IP Kit Yee, Kitty *(committee chairlady)*
Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung, William

Nomination Committee
Ms. IP Kit Yee, Kitty *(committee chairlady)*
Mr. KOO Fook Sun, Louis
Mr. SHA Pau, Eric
Mr. YING Wing Cheung, William

Company Secretary
Ms. YUEN Wing Kwan, Annie, *ACS, ACIS*

Qualified Accountant
Mr. SUM Yan Ning, Raymond, *CPA, FCCA*

Compliance Officer
Ms. IP Kit Yee, Kitty

Authorised Representatives
Ms. IP Kit Yee, Kitty
Ms. YUEN Wing Kwan, Annie

Registered Office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business
Room 1801A
18th Floor, One Grand Tower
639 Nathan Road, Mongkok
Kowloon, Hong Kong

Auditors
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Principal Bankers
Agricultural Bank of China
Fubon Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
UBS AG

Hong Kong Legal Advisers
Iu, Lai & Li
20th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Cayman Islands Legal Advisers
Conyers Dill & Pearman, Cayman
Suite 2901, One Exchange Square
8 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office
Bank of Bermuda (Cayman) Limited
2nd Floor, Strathvale House
North Church Street
P.O. Box 513
Grand Cayman KY1-1106
Cayman Islands

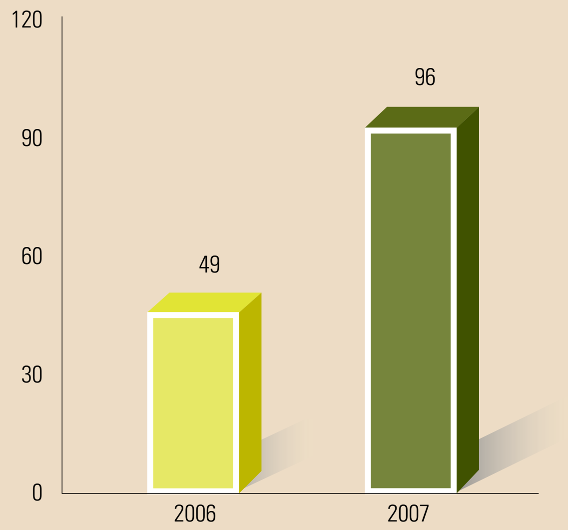
Hong Kong Branch Share Registrar and Transfer Office
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Website Address
www.midlandici.com.hk

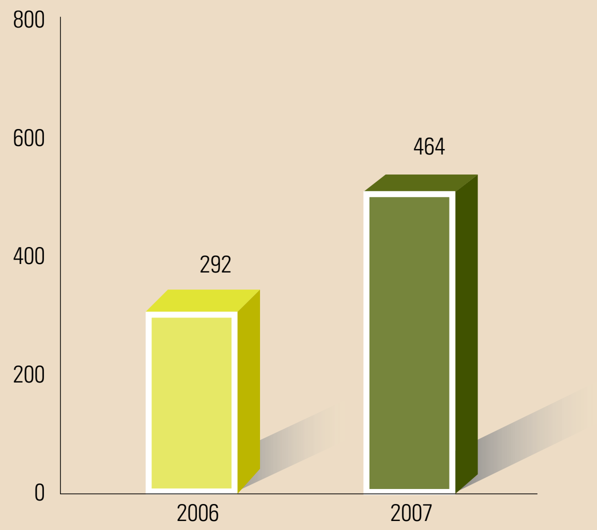
Stock Code
8090

Where the English and the Chinese texts conflict, the English text prevails

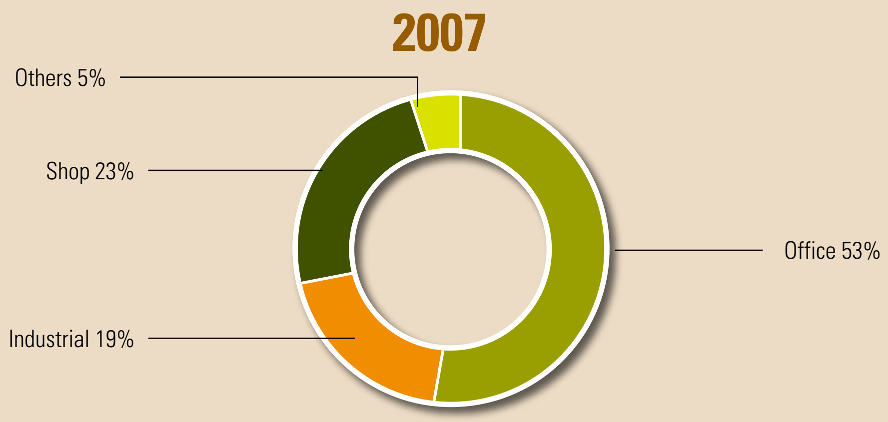
Profit before Taxation
HK$ million

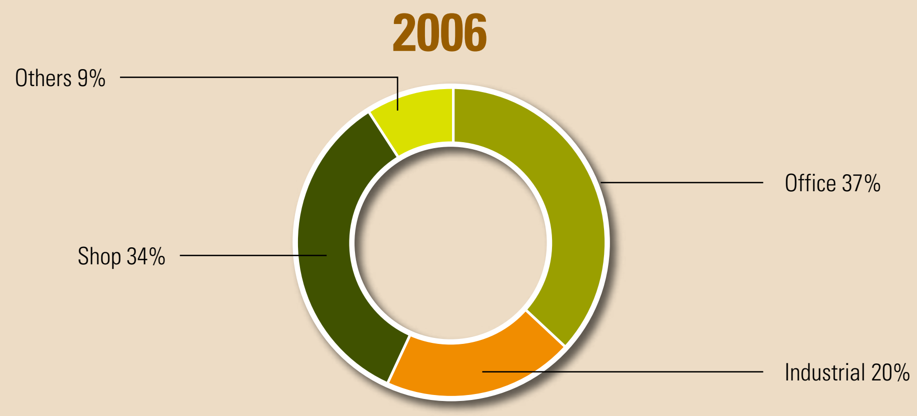


Revenue
HK$ million



Revenue Distribution – By Business Segments





Letter from Chief Executive Officer

Board of Directors
Back row from left to right: William YING, Eric SHA, Louis KOO, Brian TSANG, Ted HO
Front row from left to right: Angela WONG, Pierre WONG, Kitty IP

FINANCIAL PERFORMANCE

The revenue of Midland IC&I Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year amounted to HK$464,405,000 (2006: HK$292,950,000). During the year under review, profit from operations was HK$96,269,000, compared to HK$49,269,000 in the corresponding year. Further, profit attributable to equity holders for the year was HK$78,449,000 while the corresponding year was HK$40,791,000.

Business Review

The Group has posted an extraordinary business growth with a record revenue in 2007, marked by a number of encouraging developments. For the year ended 31st December 2007, the Group's profit attributable to shareholders amounted to HK$78,449,000. Since the successful group restructuring in the middle of June 2007, the Group has transformed the core business activities with a focus on commercial (office and shops) and industrial properties brokerage plus a comprehensive range of initiatives. All the efforts have laid a solid base for business development with an across-the-board growth in our industrial, shop and office agencies brokerage operations. The commercial property brokerage operation saw an exceptional performance in particular while turnover and earnings derived from the industrial and shops divisions both recorded satisfactory increases during the year.

The booming property market staged an overall recovery with increased activities in 2007 while transaction volumes in the industrial and commercial sectors continued to gain pace. According to Land Registry records, the value of consideration for non-residential property transactions grew sharply by 51%* during the year, largely due to the outstanding performance of the office property sector. Hong Kong's strong economic growth was sustained with increasing inflationary pressure and the downtrend of interest rates while the return of negative real interest rates would stimulate further investment appetite and local consumption. In the past year, the Group's office team put on a strong performance and arranged a total of 24 whole-floor transactions, each involving a floor space of more than 10,000 square feet, including transactions with prime office buildings like National Mutual Centre, COSCO Tower and China Merchant Tower of Shun Tak Centre. This came in line with the Group's strategy of expansion into the market of large-sized transactions.

Getting Bigger and Better

The Group has expanded further into the sector of major transactions and an increased number of large-sized transactions last year, with a 167% year-on-year growth in terms of transaction volume for property worth in excess of HK$50 million over 2006. We actively extended our strength in the field of professional services and set up a surveying operation to expand our presence in the bigger-sized property sales sector. As a result, we secured a number of property tenders from landlords last year. The Group also introduced value-added supporting services such as professional research analysis reports and the participation in the property seminar organised by Bloomberg to cope with international investors' needs and to enhance our position in the marketplace. During the year, the Group entered into a sale and purchase agreement to acquire an industrial property in Cheung Sha Wan for more than HK$30 million.

* The value of transactions in 2007 excluded transactions relating to properties injected into REITS

1. The Group became the first real estate agent being awarded the "Excellent Brand of Commercial Property Agent" in the Hong Kong Leaders' Choice.
2. The Group was accredited the "Caring Company" again by the Hong Kong Council of Social Service.
3. The Group was invited to present in the seminar organized by Bloomberg and gave a detailed analysis of trend on the Grade A commercial building properties.

Prospect

The Group is very optimistic about the prospect for Hong Kong's property market in anticipation of further strengthening in the local economy. The environment of negative real interest rates will provide a booster to investment sentiment and retail consumption, which will in turn lift business confidence and drive a sustained growth in the industrial and commercial (office and shops) property sectors. The robust economy and declining unemployment rate are keys to the market's continuous growth momentum and the office and retail sectors will be the main beneficiaries. The positive leasing results of International Commerce Centre and One Island East are testimony to the strong underlying demand for good quality offices while the economic integration between Hong Kong and the mainland China will add fuel to the market's development. With Chinese enterprises' established strategies to expand their international presence, the Group is confident that Hong Kong will be their first step leading to the world stage, thus boosting the prospect for the local office market.

In fact, the return of negative real interest rates has yet to extend its full impact on the local economy. Given the high saving rate in Hong Kong, local families will be encouraged to increase their retail spending and investment under the trend of negative real interest rates. The reductions in mortgage lending rates have also relieved the financial burdens of home-owners, thus giving a further catalyst to consumption. Provided that the Government introduces tax measures including raising personal allowance and exemption of government rates in the next fiscal year, the retail sales market is expected to see a further growth. According to statistics, retail sales in Hong Kong has recorded four successive years of growth, with an increase of 13% last year. The retail property market is set to benefit substantially from these positive developments.

Going Up and Strong

Last year, the Group's decision to establish a surveying division has set the stage for expansion into the high-end market. Further initiatives included the reinforcement of our marketing operation and the setting up of an independent research department. Looking ahead, we expect to enhance our after-sales services this year for further expansion into the high-end market segment.

Corporate Citizenship

The Group is committed to paying back the society through various charity initiatives including setting up a volunteer team and donation to help people in need.

During the year, we made contributions to charity that benefited a large number of organisations such as the Boys' & Girls' Clubs Association of Hong Kong, World Vision, Pok Oi Hospital, Autism Partnership Foundation, Haven of Hope Christian Service, Community Chest, ORBIS, World Emergency Relief Hong Kong, Medecins Sans Frontieres and Red Cross.

From left to right:

Alvan CHAN	Sales Director of Industrial and Commercial Department
Tony LO	Sales Director of Shop Department
Daniel WONG	Sales Director of Commercial Department
Ben POON	Sales Director of Hong Kong Property – Industrial, Commercial and Shop Department

From left to right:

Thomas CHAN	Project Director (Surveying)
Raymond SUM	Financial Controller
Tommy LAI	Corporate Business Development Manager

Corporate Citizenship (Continued)

With the Group's encouragement and support, our employees have been playing an active part in social services. For instance, our volunteer team has participated in a number of meaningful activities like "Metro Radio Community Chest Football Cup", "Metro Radio Yan Chai Ping Pong Charity", "Society for the Promotion of Hospice Care – Hike for Hospital 2008" and "ORBIS Pin Day".

The Group was recognised as a "Caring Company" again by the Hong Kong Council of Social Service during the year and a "Heart to Heart Company" by the Hong Kong Federation of Youth Groups.

APPRECIATION

Finally, I would like to take this opportunity to express our sincere gratitude to our shareholders and customers for their continuous support, to the management and staff for their hard work, support and dedication throughout the year.

WONG Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 12th March 2008

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2007, the Group maintained healthy financial position with cash and bank deposits of HK$143,291,000 and financial asset at fair value through profit or loss of HK$2,550,000.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 31st December 2007, the Group had net current assets of HK$187,743,000 (2006: HK$208,425,000), including cash and bank deposits of HK$143,291,000 (2006: HK$119,642,000). There were non-current liabilities of HK$20,828,000 (2006: HK$41,000). The Group did not have any bank borrowings and pledged its fixed bank deposits of HK$215,000 as at 31st December 2007 (2006: HK$294,000). The gearing ratio, which represents the percentage of long term borrowings over total equity of the Group as at 31st December 2007, was 11.8%. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.0. The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

VERY SUBSTANTIAL ACQUISITION

On 6th June 2007, the Company completed the acquisition of the entire issued share capital of Ketanfall Group Limited ("Ketanfall"), holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) properties brokerage in Hong Kong, from an indirect wholly-owned subsidiary of Midland Holdings Limited ("Midland", the Company's ultimate holding company), for a total consideration of HK$640 million satisfied as to HK$540 million by the Company issuing the convertible notes (the "Convertible Notes") and as to HK$100 million by cash (the "Acquisition"). Following the Acquisition, Ketanfall has become a wholly-owned subsidiary of the Company.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

During the year, other than the issue of the Convertible Notes, there was no change in the Company's capital structure. The Group generally finances its operations and investing activities with equity holders' funds.

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollar. The Directors considered that the foreign exchange exposure of the Group is minimal.

SIGNIFICANT INVESTMENT

During the year, the Group entered into a provisional sale and purchase agreement to acquire an industrial premise to be situated at 21st Floor, Nos. 37-39 Wing Hong Street and Nos. 70-72 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong with a gross area of 10,377 square feet and a car-parking space no. P4 that will be located on the 1st Floor, Nos. 37-39 Wing Hong Street and Nos. 70-72 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong at a total consideration of HK$32,774,355 for investment purposes. Details of the above have been published on the Company's circular dated 26th November 2007.

EMPLOYEE INFORMATION

As at 31st December 2007, the Group employed 539 full-time employees. Employee costs (including directors' remuneration) were HK$234,400,000 (2006: HK$145,610,000). 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. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

Pierre WONG Kitty IP Angela WONG Brian TSANG Ted HO Louis KOO

Executive Directors

Mr. WONG Tsz Wa, Pierre, aged 44, has been the Executive Director and Chief Executive Officer of the Company since June 2007. He is responsible for the Group's overall business strategy and development and implementation of corporate strategies and policy in achieving the overall business objectives. Mr. WONG is also responsible for overseeing the frontline sales force, surveying, public relations and marketing functions of the Group. Mr. WONG joined Midland (Midland and its subsidiaries, collectively the "Midland Group"), the Company's ultimate holding company, in 1993 and joined the Group in 2007. Mr. WONG holds a bachelor of Law (Honors) degree and has over 20 years of experience in non-residential property broking business in Hong Kong.

Ms. IP Kit Yee, Kitty, aged 48, has been the Executive Director and Managing Director of the Company since April 2007. She is responsible for setting overall corporate direction and strategies and policy making of the Group and overseeing the human resources and administration function of the Group. Ms. IP is also the managing director (corporate) of Midland Group. Ms. IP has extensive experience in property administration and real estate broking and marketing. Ms. IP is also the chairlady of the remuneration committee and nomination committee of the Company.

Ms. WONG Ching Yi, Angela, aged 27, has been the Executive Director of the Company since June 2007. She is responsible for overseeing finance, information technology, corporate development and investment functions of the Group. Ms. WONG is also the senior manager of Midland Group, a director of Midland Charitable Foundation Limited, a Vice Chairman of Youth Professionals Committee and a member of The Association of Hong Kong Professional and The Y. Elites Group. She graduated from The University of Hong Kong with a bachelor degree in business administration (accounting & finance). Prior to joining Midland Group in 2005, she worked for an international accounting firm. Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, chairman of Midland Group and Ms. TANG Mei Lai, Metty, deputy chairman of Midland Group.

Non-executive Director

Mr. TSANG Link Carl, Brian, aged 44, has been the Non-executive Director of the Company since March 2005. He is a practising solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li, legal adviser to the Company and Midland. He graduated from King's College, London with a LLB. Degree in 1985. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territories. He is currently a non-executive director of another three public companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board"), namely CITIC Resources Holdings Limited, Pacific Century Premium Developments Limited and Walker Group Holdings Limited. In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal as well as a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In 2006, he has also been appointed as a member of the Appeal Panel on Housing.

Independent Non-executive Directors

Mr. HO Kwan Tat, Ted, aged 43, has been the Independent Non-executive Director of the Company since December 2007. Mr. HO is a practicing Certified Public Accountant in Hong Kong and is now a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has extensive experience in audit and taxation. Mr. HO is currently also an independent non-executive director of another two companies listed on the Main Board, namely E2-Capital (Holdings) Limited and The Sun's Group Limited of the Stock Exchange. Mr. HO is also a member of the audit committee of the Company.

Eric SHA William YING Tony LO Daniel WONG Alvan CHAN Raymond SUM

Mr. KOO Fook Sun, Louis, aged 51, has been an Independent Non-executive Director of the Company since June 2005. Mr. KOO is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. KOO has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company. He currently also serves as an independent non-executive director of another six companies listed on the Main Board, namely China Communications Construction Company Limited, Good Friend International Holdings Inc., Li Ning Company Limited, Weichai Power Co., Ltd. and Xingda International Holdings Limited and Midland, the Company's ultimate holding company, and one company listed on the Growth Enterprise Market, namely Richfield Group Holdings Limited. Mr. KOO graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the HKICPA. Mr. KOO is also the chairman of the audit committee and a member of the remuneration committee and nomination committee of the Company.

Mr. SHA Pau, Eric, aged 50, has been the Independent Non-executive Director of the Company since March 2006. Mr. SHA is the founder of and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. Mr. SHA has over 22 years of solid experience in international marketing field and is now specified in corporate strategy formulation and overall management and marketing. He holds a bachelor's degree in arts from Windsor University, Ontario, Canada. Mr. SHA is also a member of audit committee, remuneration committee and nomination committee of the Company.

Mr. YING Wing Cheung, William, aged 57, has been the Independent Non-executive Director of the Company since May 2005. Mr. YING has over 33 years experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. Mr. YING is currently a managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd. He has been appointed as a member of Guangdong Committee of Chinese People's Political Consultative Conference for the Eighth, Ninth and Tenth Terms since 1998 to 2013. Mr. YING was also a member of Jiangmen Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1993 to 2003. Mr. YING serves in many social organisations; he is currently a president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. YING is also a member of audit committee, remuneration committee and nomination committee of the Company.

Management Executives

Mr. LO Chin Ho, Tony, aged 45, is the Chief Operations Officer of Industrial, Commercial and Shop Division of the Group and is also the Sales Director of Shop Department under the Division. He has over 15 years of experience in non-residential property broking business, specializing in shops property, in Hong Kong.

Mr. WONG Hon Shing, Daniel, aged 44, is the Sales Director of Commercial Department under the Industrial, Commercial and Shop Division of the Group. He has over 18 years of experience in non-residential property broking business, specializing in commercial property, in Hong Kong.

Mr. CHAN Wai Chi, Alvan, aged 44, is the Sales Director of Industrial and Commercial Department under the Industrial, Commercial and Shop Services Division of the Group. He has over 22 years of experience in non-residential property broking business, specializing in industrial property, in Hong Kong.

Mr. SUM Yan Ning, Raymond, aged 46, is the Financial Controller of the Company. He is responsible for the Group's financial management and treasury operation. He has over 20 years of experience in the field of auditing, accounting and finance. Mr. SUM is an associate member of the HKICPA and a fellow member of Association of Chartered Certified Accountants.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31st December 2007.

The Company has complied with all the code provisions set out in Appendix 15 – Code on Corporate Governance Practices ("CG Code") of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange (the "GEM Listing Rules") throughout the year ended 31st December 2007.

The key corporate governance principles and practices of the Company are summarized below:–

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard") as the code of conduct regarding the securities transactions by the Directors of the Company and has complied with the Required Standard. A copy of the Required Standard is sent to each Director of the Company upon appointment and a reminder is sent to each Director one month before the date of the board meetings to approve the Company's annual, interim and quarterly results that the Director cannot deal in the shares of the Company until after such results have been published. All Directors have confirmed their compliance with the Required Standard throughout the year ended 31st December 2007.

BOARD OF DIRECTORS

The Company is eager to maintain a strong independent element on the Board and has a balanced composition of executive and non-executive Directors.

Who are on the Board

The Board comprised eight directors as at 31st December 2007. Among them, three are executive Directors namely Mr. WONG Tsz Wa, Pierre, Ms. IP Kit Yee, Kitty and Ms. WONG Ching Yi, Angela; one is non-executive Director namely Mr. TSANG Link Carl, Brian and four are independent non-executive Directors namely Mr. HO Kwan Tat, Ted, Mr. KOO Fook Sun, Louis, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William. The biographical details of the Directors are set out on pages 8 and 9 of this report.

The appointment of independent non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules. The Company has obtained from each of independent non-executive Director the confirmation of independence. They were all appointed for a term of one year and subject to the retirement by rotation and shall be eligible for re-election at least once every three years. They have already been expressly identified as such in all corporate communications. Two of the independent non-executive Directors have appropriate professional qualifications and accounting expertise.

Taking into account the various experience of all Directors and the nature of the Group's business, the Board considered that the Directors have a balance of skills and experience for the business of the Group.

BOARD OF DIRECTORS (Continued)

How the Board Works

The full Board meets in person regularly, normally quarterly, and on other occasions when a Board decision is required on major issues. During the year ended 31st December 2007, the Board met five times with at least 14 days notice of all regular Board meetings were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are observed. The board papers are generally sent in full to Directors at least 3 days before meeting.

The individual attendance record of the Directors at the Board meetings during the year ended 31st December 2007 is set out below:–

	Attendance	Percentage
Executive Directors		
Mr. WONG Tsz Wa, Pierre (note 1)	2/2	100%
Ms. IP Kit Yee, Kitty (note 2)	3/3	100%
Ms. WONG Ching Yi, Angela (note 3)	2/2	100%
Mr. CHU Tak Long, Patrick (note 4)	0/0	N/A
Mr. PONG Wai San, Wilson (note 5)	3/3	100%
Mr. LAU Wai Shu, Terrance (note 6)	3/3	100%
Non-executive Director		
Mr. TSANG Link Carl, Brian	4/5	80%
Independent Non-executive Directors		
Mr. HO Kwan Tat, Ted (note 7)	0/0	N/A
Mr. KOO Fook Sun, Louis	5/5	100%
Mr. SHA Pau, Eric	5/5	100%
Mr. YING Wing Cheung, William	5/5	100%

Notes:

1. Mr. WONG Tsz Wa, Pierre was appointed as executive Director on 11th June 2007.
2. Ms. IP Kit Yee, Kitty was appointed as executive Director on 12th April 2007.
3. Ms. WONG Ching Yi, Angela was appointed as executive Director on 20th June 2007
4. Mr. CHU Tak Long, Patrick resigned as executive Director on 1st March 2007.
5. Mr. PONG Wai San, Wilson resigned as executive Director on 11th June 2007.
6. Mr. LAU Wai Shu, Terrance resigned as executive Director on 11th June 2007.
7. Mr. HO Kwan Tat, Ted was appointed as independent non-executive Director on 12th December 2007.

The daily management, administration and operation of the Company are delegated to the management. All directors have access to relevant and timely information at all times as the Managing Director will ensure that management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary who is responsible to the Board of Directors for providing Directors with board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with.

Every new Director has received a comprehensive, formal and tailored induction on his first appointment and subsequently such briefing and professional development as is necessary.

BOARD OF DIRECTORS (Continued)

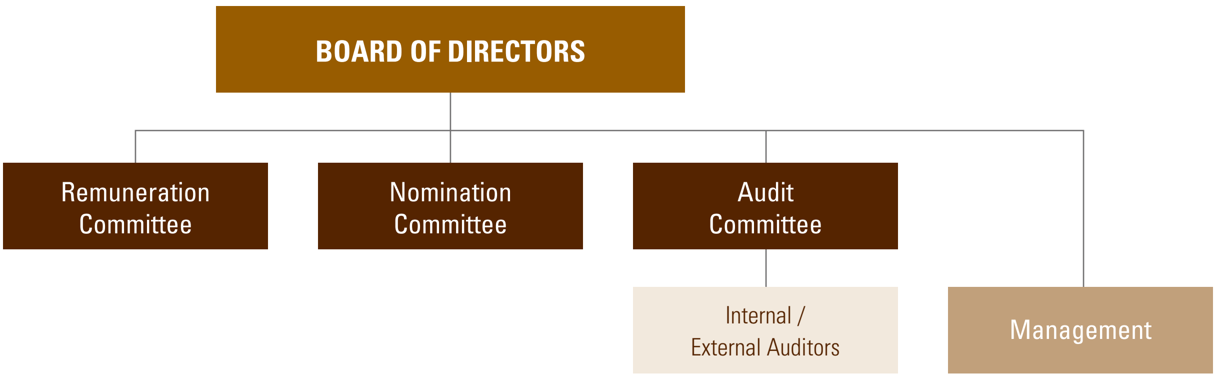
How the Board Works (Continued)

In case where a conflict of interest may arise involving a substantial shareholder or a Director, such matter will be discussed through an actual meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will present at meetings dealing with such conflict issues. The Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered at the Board meetings.

The Managing Director of the Company is responsible for the overall corporate direction, corporate strategy and policy making of the Group. The Chief Executive Officer of the Company is responsible for overall business strategy and development, implementation of strategy and policy in achieving the overall commercial objectives. The roles of the Managing Director and the Chief Executive Officer are distinctive.

Three specialized committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have been set up under the Board, each of which has worked out its terms of reference for overseeing particular aspects of the Company's affairs.

How is the Board Structured



REMUNERATION COMMITTEE

Who are in the Committee

The Board established the Remuneration Committee in 2005. The Remuneration Committee is now chaired by Ms. IP Kit Yee, Kitty, with other three members namely Mr. KOO Fook Sun, Louis, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William. The Committee generally meets at least once every year and when considered necessary.

What are its Role and Function

Under the specific written terms of reference setting out its role and responsibilities, the Remuneration Committee is responsible for approving the remuneration packages of the executive Directors and senior management, as well as reviewing and approving the Company's share option scheme. The terms of reference of the Remuneration Committee is available on the Company's website.

REMUNERATION COMMITTEE (Continued)

What has it Worked On

The work of the Remuneration Committee during the year ended 31st December 2007 included reviewing the remuneration policy of the Group and approving the remuneration packages of new Directors.

For the year ended 31st December 2007, the Remuneration Committee held two meetings, with individual attendance record of members as set out below:–

	Attendance	Percentage
Ms. IP Kit Yee, Kitty	1/1	100%
Mr. CHU Tak Long, Patrick	0/0	N/A
Mr. LAU Wai Shu, Terrance	1/1	100%
Mr. KOO Fook Sun, Louis	2/2	100%
Mr. SHA Pau, Eric	2/2	100%
Mr. YING Wing Cheung, William	2/2	100%

NOMINATION COMMITTEE

Who are in the Committee

The Board established the Nomination Committee in 2005. The Nomination Committee is now chaired by Ms. IP Kit Yee, Kitty, with the other three members namely Mr. KOO Fook Sun, Louis, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William. The Committee generally meets at least once every year and when considered necessary.

What are its Role and Function

Under the specific written terms of reference setting out its role and responsibilities, the Nomination Committee is responsible for formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, and assessing the independence of independent non-executive Directors. The terms of reference of the Nomination Committee is available on the Company's website.

What has it Worked On

The work of the Nomination Committee during 2007 included reviewing the Board composition and reviewing and making recommendation to the Board on appointment of new Directors.

For the year ended 31st December 2007, the Nomination Committee held two meetings, with individual attendance record of members as set out below:–

	Attendance	Percentage
Ms. IP Kit Yee, Kitty	1/1	100%
Mr. CHU Tak Long, Patrick	0/0	N/A
Mr. LAU Wai Shu, Terrance	1/1	100%
Mr. KOO Fook Sun, Louis	2/2	100%
Mr. SHA Pau, Eric	2/2	100%
Mr. YING Wing Cheung, William	2/2	100%

AUDIT COMMITTEE

Who are in the Committee

The Company established an Audit Committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The Audit Committee comprises four members and is now chaired by Mr. KOO Fook Sun, Louis, other members include Mr. HO Kwan Tat, Ted, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William, all of them are independent non-executive Directors. Mr. KOO Fook Sun, Louis and Mr. HO Kwan Tat, Ted are qualified accountants and have many years of experience in professional accounting. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee. The Committee generally meets at least once quarterly.

AUDIT COMMITTEE (Continued)

What are its Role and Function

The Audit Committee's primary duties include ensuring the Group's financial statements including annual, interim and quarterly reports and the auditors' report present a true and balanced assessment of the Group's financial position, reviewing and supervision of the Group's financial control and internal control system, and reviewing the Group's financial and accounting policies and practices. The Committee makes recommendation to the Board on the selection and remuneration of external auditors. The Committee reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. Other duties of the Audit Committee are set out in its terms of reference of the Audit Committee which is available on the Company's website.

The Audit Committee generally meets the external auditors quarterly to discuss any area of concern during the audits or review.

What has it Worked On

The major work of the Audit Committee during 2007 in discharging its responsibilities included reviewing and providing advice and recommendation to the Board for approval of the Group's unaudited quarterly and interim results and audited annual results announcements, reviewing compliance with new accounting standards and financial disclosure requirements, reviewing the Group's internal control work, findings and recommendations and approving the change of external auditors.

For the year ended 31st December 2007, the Audit Committee held four meetings, with individual attendance record of members as follows:–

	Attendance	Percentage
Mr. KOO Fook Sun, Louis	4/4	100%
Mr. HO Kwan Tat, Ted	0/0	N/A
Mr. SHA Pau, Eric	4/4	100%
Mr. YING Wing Cheung, William	4/4	100%

AUDITORS' REMUNERATION

On 10th May 2007, the Company appointed Messrs. PricewaterhouseCoopers ("PwC") as the Company's external auditors to fill the vacancy arising from the resignation of Messrs. Grant Thornton. The remuneration paid to PwC in respect of the audit and non-audit services provided to the Company and its major subsidiaries for the year ended 31st December 2007 amounted approximately to HK$755,000 and HK$1,288,000 respectively. The non-audit services mainly comprised professional services rendered in connection with the very substantial acquisition of Ketanfall.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining effective internal control system of the Group. The management, through internal auditors, conducts annual review on the effectiveness of the Group's system of internal control and reports the key findings to the Audit Committee and the Board. The review covers all material controls, including financial, operational and compliance controls and risk management functions.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flows for the year ended 31st December 2007. In preparing the financial statements for the year ended 31st December 2007, the Directors have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Report of the Independent Auditors on page 21 of this report.

The Directors present their report together with the audited financial statements of the Group for the year.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34 to the financial statements.

Details of the analysis of the Group's performance for the year by business segments are set out in note 6 to the financial statements.

No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of total assets of the Group are attributable to markets outside Hong Kong.

CHANGE OF COMPANY NAME

In order to better reflect the business nature of the Company upon the completion of the Acquisition, the name of the Company was changed from "EVI Education Asia Limited" to "Midland IC&I Limited" and the Chinese name adopted for identification purposes was changed from "EVI教育亞洲有限公司" to "美聯工商舖有限公司" with effect from 6th June 2007.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year are set out in the consolidated income statements on page 22 of this report.

The Directors do not recommend the payment of any dividend for the year (2006: Nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounted to HK$605,000 (2006: HK$945,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

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 60.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the financial statements.

SHARE OPTION SCHEMES

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

SHARE OPTION SCHEMES (Continued)

1. Major Terms of the Share Option Scheme

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

(a) *Purposes of the Share Option Scheme*

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

(b) *Participants of the Share Option Scheme*

The Board may invite any Eligible Person as the 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 Group or Invested Entity.

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

Total number of shares available for issue is 747,000,000 representing approximately 9% of the issued share capital of the Company 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 Share Option Scheme and any other share option schemes of the Company 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 the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/other requirements prescribed under the GEM Listing Rules and the Rules Governing the Listing of Securities on the Stock Exchange (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 Share Option Scheme and any other share option schemes of the Company to each eligible person who is an independent non-executive director or substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the shares in issue and an 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$5,000,000.00.

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 and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/other requirements prescribed under the GEM Listing Rules and the Listing Rules from time to time.

(f) *Time of exercise of Option*

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, after which no further options shall be granted. The options which are granted during the life of the 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 Share Option Scheme shall remain in full force and effect.

(g) *Basis of determining the subscription price*

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the 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 Share Option Scheme*

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

SHARE OPTION SCHEMES (Continued)

2. Movements of Share Options during the Year

During the year, no share options had been granted, exercised or lapsed under the Share Option Scheme. Details of the outstanding share options granted to Mr. TSANG Link Carl, Brian ("Mr. TSANG"), a non-executive Director, under the Share Option Scheme are as follows:–

Name	Date of grant	Exercise price HK$	Number of share options Outstanding as at 1st January 2007 and 31st December 2007	Exercisable period
Mr. TSANG	16th January 2006	0.06	41,500,000	1st April 2006 to 31st March 2009
	16th January 2006	0.06	41,500,000	1st June 2006 to 31st May 2009
			83,000,000	

BOARD OF DIRECTORS

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*	(appointed on 11th June 2007)
Ms. IP Kit Yee, Kitty *(Managing Director)*	(appointed on 12th April 2007)
Ms. WONG Ching Yi, Angela	(appointed on 20th June 2007)
Mr. CHU Tak Long, Patrick	(resigned on 1st March 2007)
Mr. PONG Wai San, Wilson	(resigned on 11th June 2007)
Mr. LAU Wai Shu, Terrance	(resigned on 11th June 2007)

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent non-executive Directors

Mr. HO Kwan Tat, Ted	(appointed on 12th December 2007)
Mr. KOO Fook Sun, Louis	
Mr. SHA Pau, Eric	
Mr. YING Wing Cheung, William	

According to Article 86 of the Company's Articles of Association, Mr. WONG Tsz Wa, Pierre, Ms. WONG Ching Yi, Angela and Mr. HO Kwan Tat, Ted shall retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

According to Article 87 of the Company's Articles of Association, Mr. KOO Fook Sun, Louis, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William shall retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The independent non-executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. KOO Fook Sun, Louis, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William were appointed for a one-year term expiring on 11th December 2008, 23rd June 2008, 12th March 2008 and 16th May 2008 respectively.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guidelines set out in Rule 5.09 of the GEM Listing Rules.

CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

Save as disclosed under the section headed "Share Option Scheme" above and the Convertible Notes issued by Company as part of consideration of the Acquisition disclosed in page 7 of this report, during the year, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANT

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract 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.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2007, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be recorded in the register to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were stated as follows:

	Number of shares of the Company					
Name of director	**Personal Interests**	**Family interests**	**Corporate Interests**	**Equity Derivative (Share Option)**	**Total**	**Percentage of shareholding**
Mr. TSANG	–	–	–	83,000,000	83,000,000	1.00%

Note: As disclosed in the section headed "Share Option Scheme" above, these share options were granted under the Share Option Scheme to Mr. TSANG on 16th January 2006 for subscription of 83,000,000 shares of the Company at the exercise price of HK$0.06 each.

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

Saved as disclosed above, as at 31st December 2007, none of the directors, nor chief executive of the Company had or deemed to have any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December 2007, 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 were as follows:

Name of shareholder	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of the issued capital
Midland	4,300,000,000	5,400,000,000 (Note 1)	Interest in controlled corporation	116.87%
Tretsfield Investments Limited ("Tretsfield")	–	5,400,000,000 (Note 1)	Beneficial owner	65.06%
Mr. PONG Wai San, Wilson ("Mr. PONG") (Note 2)	822,910,000	–	Beneficial owner and interest in controlled corporation	9.91%
Ms. TUNG Ching Yee, Helena ("Ms. TUNG") (Note 3)	822,910,000	–	Interest of spouse	9.91%
Summerview Enterprises Limited ("Summerview") (Note 4)	822,300,000	–	Beneficial owner	9.91%

Notes:

1. These underlying shares refer to the shares to be issued upon full conversion of the Convertible Notes in the principal amount of HK$540 million issued by the Company to Tretsfield. Tretsfield is a wholly-owned subsidiary of Midland. The percentage holding of Midland and Tretsfield represents their interest in the enlarged issued share capital of the Company after full conversion of the Convertible Notes.

2. 822,300,000 shares were registered in the name of and beneficially owned by Summerview and 610,000 shares were registered in the name of Mr. PONG. The entire issued share capital of Summerview was registered in the name of and beneficially owned by Mr. PONG.

3. Ms. Helena Tung is the spouse of Mr. PONG, these shares held by Ms. TUNG represent the same block of shares held by Mr. PONG.

4. The interest of Summerview in the Company duplicates those of Mr. PONG in the Company.

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

CONNECTED TRANSACTIONS

The continuing connected transactions contemplated under the cross referral services agreement (the "Cross Referral Services Agreement") entered into between the Company and Midland dated 6th June 2007 in relation to cross-referral services provided between the relevant members of the Midland Group and of the Group for the estate agency business, such as the relevant members of the Midland Group may refer estate agency business in respect of industrial and commercial (office and shops) properties to the Group, and the Group may refer estate agency business in respect of residential properties to the relevant members of Midland Group. The referral transactions are conducted on a case-by-case basis and are on normal commercial terms. The abovementioned agreement constituted non-exempt continuing connected transactions which must comply in full with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

The independent non-executive directors of the Company have reviewed and confirmed that the above transactions between the Group and Midland Group were (i) in the ordinary and usual course of business; (ii) on normal commercial terms; and (iii) the terms of the Cross Referral Services Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The annual caps for the referral fees payable by the Group to Midland Group under the Cross Referral Services Agreement for the year ended 31st December 2007 and the years ending 31st December 2008 and 2009 all are HK$50 million.

The annual caps for the referral fees receivable by the Group from Midland Group under the Cross Referral Services Agreement for the year ended 31st December 2007 and the years ending 31st December 2008 and 2009 all are HK$14 million.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the Companies Law (Revised) of the Cayman Islands.

CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year ended 31st December 2007.

Purchases from the Group's five largest suppliers also accounted for less than 30% of the Group's total purchases for the year ended 31st December 2007.

RETIREMENT PLANS

Details of the Company's retirement plans are set out in note 8 to the financial statements.

AUDITORS

PricewaterhouseCoopers, were appointed as auditors of the Company on 10th May 2007 to fill the casual vacancy so arising upon the resignation of the predecessor auditors, Grant Thornton, on the same date to hold office until the conclusion of the forthcoming annual general meeting of the Company.

The financial statements of the Company for the year ended 31st December 2007 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
WONG Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 12th March 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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Central, Hong Kong.
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REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the financial statements of Midland IC&I Limited (the "Company") set out on pages 22 to 59, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Directors for the financial statements

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the auditors

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31st December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 12th March 2008

Consolidated Income Statement

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Revenue	6	**464,405**	292,950
Other income, net	7	**167**	445
Staff costs	8	**(234,400)**	(145,610)
Rebate commissions		**(34,666)**	(25,020)
Advertising and promotion expenses		**(16,231)**	(13,064)
Operating lease charges in respect of office and shop premises		**(13,705)**	(14,647)
Impairment of receivable		**(28,741)**	(8,782)
Depreciation and amortisation costs		**(3,545)**	(5,078)
Other operating costs		**(41,518)**	(36,597)
Operating profit	10	**91,766**	44,597
Finance income	11	**5,580**	4,672
Finance costs	11	**(1,077)**	–
Profit before taxation		**96,269**	49,269
Taxation	12	**(18,285)**	(8,789)
Profit for the year		**77,984**	40,480
Attributable to:			
Equity holders		**78,449**	40,791
Minority interests		**(465)**	(311)
		77,984	40,480
Dividend	14	**–**	55,000
Earnings per share		**HK cent**	HK cent
Basic	15	**0.58**	0.30
Diluted	15	**0.58**	0.30

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**4,780**	5,909
Financial assets at fair value through profit or loss	19	**–**	5,054
Deferred taxation assets	21	**4,635**	1,635
		9,415	12,598
Current assets			
Trade and other receivable	22	**227,444**	103,943
Amounts due from group companies	23	**–**	137,146
Financial assets at fair value through profit or loss	19	**2,550**	130
Taxation recoverable		**1,143**	3,318
Cash and bank balances	24	**143,291**	119,642
		374,428	364,179
Total assets		**383,843**	376,777
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	**83,000**	83,000
Reserves	26	**93,077**	137,264
		176,077	220,264
Minority interests		**253**	718
Total equity		**176,330**	220,982
Non-current liabilities			
Convertible notes	27	**20,815**	–
Deferred taxation liabilities	21	**13**	41
		20,828	41
Current liabilities			
Trade and other payable	28	**172,847**	71,622
Amounts due to group companies	23	**–**	23,137
Amounts due to minority shareholders	29	**–**	180
Taxation payable		**13,838**	5,815
Dividend payable		**–**	55,000
		186,685	155,754
Total liabilities		**207,513**	155,795
Total equity and liabilities		**383,843**	376,777
Net current assets		**187,743**	208,425
Total assets less current liabilities		**197,158**	221,023

WONG Tsz Wa, Pierre
Director

IP Kit Yee, Kitty
Director

Balance Sheet

As at 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	18	**642,608**	2,608
Current assets			
Amounts due from subsidiaries	20	**20,027**	122,531
Cash and bank balances	24	**1**	4
		20,028	122,535
Total assets		**662,636**	125,143
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	**83,000**	83,000
Reserves	26	**554,097**	42,143
Total equity		**637,097**	125,143
Non-current liabilities			
Convertible notes	27	**20,815**	–
Current liabilities			
Amounts due to subsidiaries	20	**3,906**	–
Other payables and accruals	28	**818**	–
		4,724	–
Total liabilities		**25,539**	–
Total equity and liabilities		**662,636**	125,143
Net current assets		**15,304**	122,535
Total assets less current liabilities		**657,912**	125,143

WONG Tsz Wa, Pierre
Director

IP Kit Yee, Kitty
Director

For the year ended 31st December 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	**188,168**	215
Hong Kong profits tax paid		**(11,115)**	(4,959)
Interest paid		**(2,910)**	–
Net cash from/(used in) operating activities		**174,143**	(4,744)
Cash flows from investing activities			
Acquisition of a subsidiary		**(100,000)**	–
Proceed from disposal of property, plant and equipment		**2**	–
Purchase of property, plant and equipment		**(2,771)**	(1,976)
Purchase of financial assets at fair value through profit or loss		**(5,956)**	(82)
Proceed from disposal of financial assets at fair value through profit or loss		**7,651**	–
Bank interest received		**5,580**	4,672
Disposal of a subsidiary		**–**	(52)
Net cash (used in)/from investing activities		**(95,494)**	2,562
Cash flows from financing activities			
Dividends paid		**(55,000)**	–
Net cash used in financing activities		**(55,000)**	–
Net increase/(decrease) in cash and bank balances		**23,649**	(2,182)
Cash and bank balances at beginning of the year		**119,642**	121,824
Cash and bank balances at end of the year	24	**143,291**	119,642

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Share capital HK$'000	Other reserves HK$'000	Equity holders HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2007	83,000	137,264	220,264	718	220,982
Currency translation differences	–	12	12	–	12
Profit for the year	–	78,449	78,449	(465)	77,984
Total recognised income/(expense) for the year	–	78,461	78,461	(465)	77,996
Reserve arising from the Acquisition (note 2)	–	(640,000)	(640,000)	–	(640,000)
Issue of convertible notes	–	517,352	517,352	–	517,352
	–	(122,648)	(122,648)	–	(122,648)
At 31st December 2007	83,000	93,077	176,077	253	176,330
At 1st January 2006	83,000	149,768	232,768	709	233,477
Currency translation differences	–	53	53	1	54
Disposal of a subsidiary	–	–	–	319	319
Profit for the year	–	40,791	40,791	(311)	40,480
Dividend	–	(55,000)	(55,000)	–	(55,000)
Total recognised (expense)/income for the year	–	(14,156)	(14,156)	9	(14,147)
Share-based benefits	–	1,652	1,652	–	1,652
	–	(12,504)	(12,504)	9	(12,495)
At 31st December 2006	83,000	137,264	220,264	718	220,982

1. GENERAL INFORMATION

Midland IC&I Limited (formerly known as EVI Education Asia Limited) (the "Company") is a limited liability company incorporated in the Cayman Islands and listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

On 6th June 2007, the Company completed the acquisition of the entire interest of Ketanfall Group Limited ("Ketanfall"), a holding company of a group of companies principally engaged in the business of industrial and commercial (office and shop) property brokerage (collectively the "Ketanfall Group"), from an indirect wholly-owned subsidiary of Midland Holdings Limited ("Midland"), the ultimate holding company of the Company, for a consideration of HK$640 million (the "Acquisition"), which was satisfied by (i) the issue of convertible notes by the Company in the principal amount of HK$540 million; and (ii) cash payment of HK$100 million.

The principal activities of the Company and its subsidiaries (collectively the "Group") are provision of property brokerage services in respect of industrial and commercial (office and shop) properties and internet education services.

These financial statements have been approved by the Board of Directors on 12th March 2008.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 below.

Since the Company and Ketanfall are ultimately owned by Midland immediately before and after the Acquisition, these financial statements have been prepared using the principle of merger accounting, as prescribed in Hong Kong Accounting Guideline ("HKAG") 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

2. BASIS OF PREPARATION (Continued)

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets:

The consolidated balance sheet as at 31st December 2007

	Company and its subsidiaries other than Ketanfall Group HK$'000	Ketanfall Group HK$'000	Adjustment (note) HK$'000	Consolidated HK$'000
Total assets	666,205	357,638	(640,000)	383,843
Total liabilities	(26,428)	(181,085)	–	(207,513)
Net assets	639,777	176,553	(640,000)	176,330
Share capital	83,000	–	–	83,000
Reserves	556,524	176,553	(640,000)	93,077
Minority interests	253	–	–	253
	639,777	176,553	(640,000)	176,330

The consolidated balance sheet as at 31st December 2006

	Company and its subsidiaries other than Ketanfall Group HK$'000	Ketanfall Group HK$'000	Adjustment (note) HK$'000	Consolidated HK$'000
Total assets	131,493	245,284	–	376,777
Total liabilities	(5,629)	(150,166)	–	(155,795)
Net assets	125,864	95,118	–	220,982
Share capital	83,000	1,520	(1,520)	83,000
Reserves	42,146	93,598	1,520	137,264
Minority interests	718	–	–	718
	125,864	95,118	–	220,982

Note:

The above adjustment represents an adjustment to eliminate the share capital of the combining entities against the investment cost. The difference of HK$640,000,000 (2006: HK$1,520,000) has been made to the merger reserve in the consolidated financial statements.

No other significant adjustments were made to the net assets of the Group as a result of the common control combination to achieve consistency of accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In 2007, the Group adopted the following standard, amendment and interpretations which are relevant to its operation:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of these new standard, amendment and interpretations does not have any significant impact on the results and financial position or changes in the accounting policies of the Group, with the exception of HKAS 1 (Amendment) and HKFRS 7 which require additional disclosures in the financial statements.

The following standard, amendment and interpretation to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods, but relevant to the Group and have not been early adopted:

Effective for the year ending 31st December 2008:

HK(IFRIC) – Int 11	HKFRS 2 Group and Treasury Share Transactions

Effective for the year ending 31st December 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Amendment)	Borrowing Costs
HKFRS 8	Operating Segment

The Group will apply these standard, amendment and interpretation for its financial periods commencing on or after 1st January 2008, but they are not expected to have any significant impact on the financial position of the Group.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the perspective of controlling party. No amount is recognised in consideration for goodwill or excess of the interest of the acquirer in the net fair value of the identifiable assets of the acquiree, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the interest of controlling party.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Merger accounting for common control combination (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merge accounting is recognised as an expense in the period in which it is incurred.

(b) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up of 31st December.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries other than merger accounting for common control combination by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	2 to 3 years
Furniture and fixtures	4 years
Office equipment	4 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating cost, in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(g) Financial assets

The Group classifies its financial assets in the categories of at fair value through profit or loss and loans and receivable. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

A financial asset (including derivative financial instrument) is classified as fair value through profit or loss if acquired principally for the purpose of trading or designated upon initial recognition. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivable

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivable in the balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivable are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the income statement within other income, net, in the financial period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment recognised in the income statement on equity instruments are not reversed through the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Trade and other receivable

Trade and other receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity.

(k) Trade and other payable

Trade and other payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement scheme obligations

Contributions to defined contribution retirement schemes which are available to all employees, calculated at rates specified in the rules of the schemes, are charged to the income statement when the contributions are payable to the fund.

(iii) Share-based compensation

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holders, where the number of shares that would be issued on conversion and the value of the consideration that would be received do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes are determined using a market interest rate for an equivalent non-convertible notes. The remainder of the proceeds is allocated to the conversion option as equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity. The equity component is recognised in equity, net of any tax effects.

When the note is converted, the relevant equity component and the carrying amount of the liability component at the time of conversion are transferred to share capital and share premium for the shares issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services in the ordinary course of the activities of the Group. Revenue is recognised when it is probable that future economic benefits will flow to the Group, the amount can be measured reliably and specific criteria for each of the activities have been met. Revenue is shown net of sales tax, returns, rebates and discounts and other revenue reducing factors.

Agency fee from property brokerage are recognised when the relevant agreement becomes unconditional or irrevocable.

Sales and installation of computer hardware and software which are bundled together in one contract from contracts with customers are recognised by reference to the stage of completion of the contracts, which is measured by reference to actual costs incurred for work performed to date as a percentage of total estimated costs for each contract.

Sales of goods are recognised upon transfer to the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is recognised on a time proportion basis using the effective interest method.

(q) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

(r) Dividend distribution

Dividend distribution is recognised as a liability in the financial statements in the financial period in which the dividends are approved by the shareholders or directors, as appropriate.

(s) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities primarily expose it to credit risk, interest rate risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivable and amounts due from group companies. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, the management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment is made for the irrecoverable amounts.

4. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, other than bank deposits which are at variable rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At the balance sheet date, if interest rates had been increased or decreased by 50 basis points and all other variables were held constant, the Group's profit would increase or decrease by approximately HK$592,000 (2006: HK$575,000) for the year ended 31st December 2007.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any borrowings or credit facilities utilised during the year. Management considers that the Group does not have significant liquidity risk. The trade payable is due for payment only upon the receipt of corresponding agency fees from customers. The trade payable includes commission payable of HK$15,368,000 (2006: HK$5,209,000) which is due for payment within 30 days, all the remaining trade payable not yet due.

(b) Capital risk management

The Group's objectives when managing capital are to finance its operations with its owned capital and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group consists only of equity attributable to the equity holders.

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash, deposits with approved financial institutions, trade and other receivable and amounts due from group companies; and financial liabilities including trade and other payable and amounts due to group companies, approximate their fair values due to their short-term maturities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustments of assets and liabilities within the next financial year are discussed below.

(i) Impairment of trade receivable

The management determines that the provision for impairment of trade receivable based on credit history of customers and the current market condition by business segment. Management reassesses the provision by each balance sheet date.

(ii) Convertible notes

The fair value of the convertible notes is estimated by independent professional valuers based on actual transactions of the financial instruments in the market or transactions of similar financial instruments generally represent the best estimate of the market value.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2007 HK$'000	2006 HK$'000
Agency fee	440,883	265,826
Internet education and related services	23,522	27,124
	464,405	292,950

(b) Segment information

The Group is organised into three main business segments including property brokerage businesses for office, industrial and shop and other business mainly includes the provision of internet education and related services.

	Year ended and as at 31st December 2007				
	Property brokerage				
	Office HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Revenue	246,123	89,339	105,421	23,522	464,405
Segment results	69,261	13,285	20,651	(2,903)	100,294
Unallocated costs					(8,528)
Operating profit					91,766
Finance income, net					4,503
Profit before taxation					96,269
Taxation					(18,285)
Profit for the year					77,984
Segment assets	133,933	157,811	50,726	8,993	351,463
Unallocated assets					32,380
Total assets					383,843
Segment liabilities	95,439	38,711	33,097	5,621	172,868
Unallocated liabilities					34,645
Total liabilities					207,513
Capital expenditure	476	99	688	1,508	2,771
Depreciation	816	832	900	997	3,545
Impairment of trade receivable	17,117	6,664	4,978	(18)	28,741

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended and as at 31st December 2006				
	Property brokerage				
	Office HK$'000	Industrial HK$'000	Shop HK$'000	Others HK$'000	Total HK$'000
Revenue	109,892	57,505	98,429	27,124	292,950
Segment results	22,147	9,782	18,591	(3,839)	46,681
Unallocated costs					(2,084)
Operating profit					44,597
Finance income					4,672
Profit before taxation					49,269
Taxation					(8,789)
Profit for the year					40,480
Segment assets	43,682	31,075	33,380	8,038	116,175
Unallocated assets					260,602
Total assets					376,777
Segment liabilities	28,368	18,645	24,998	3,760	75,771
Unallocated liabilities					80,024
Total liabilities					155,795
Capital expenditure	206	696	312	762	1,976
Depreciation	1,256	1,496	1,359	959	5,070
Amortisation	–	–	–	8	8
Impairment of trade receivable	6,731	264	1,807	(20)	8,782

No analysis of the segment information by geographical segments is presented as no activities and operations of an internally reported geographical segment attributable to markets outside Hong Kong is more than 10% of the activities and operations of the Group.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade and other receivable and operating cash and mainly exclude amounts due from group companies and taxation recoverable. Segment liabilities comprise operating liabilities and mainly exclude amounts due to group companies and taxation payable.

7. OTHER INCOME, NET

	2007 HK$'000	2006 HK$'000
Net realised and unrealised (loss)/gain on financial assets at fair value through profit or loss	**(960)**	48
Gain on disposal of a subsidiary	**698**	381
Sundries	**429**	16
	167	445

8. STAFF COSTS

	2007 HK$'000	2006 HK$'000
Salaries and allowances	**58,214**	54,900
Commissions	**172,036**	85,159
Pension costs for defined contribution plans	**4,150**	3,899
Share-based benefits	**–**	1,652
	234,400	145,610

The Group participates in a Mandatory Provident Fund ("MPF") scheme which is available to eligible employees of the Group, including Executive Directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The cost of the MPF scheme charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totaling HK$316,000 (2006: HK$279,000) which are payable to the fund are included in other payable and accrued charges as at 31st December 2007.

9. DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors emoluments

The remuneration of each Director for the year ended 31st December 2007 is set out below:

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Ms. IP Kit Yee, Kitty (note (i))	7	–	–	–	7
Mr. WONG Tsz Wa, Pierre (note (ii))	1,535	3,789	529	12	5,865
Ms. WONG Ching Yi, Angela (note (iii))	5	–	–	–	5
Mr. PONG Wai San, Wilson (note (iv))	–	–	–	–	–
Mr. LAU Wai Shu (note (iv))	–	600	–	12	612
Mr. CHU Tak Long (note (v))	–	–	–	–	–
	1,547	4,389	529	24	6,489
Non-executive Director					
Mr. TSANG Link Carl, Brian	50	–	–	–	50
Independent Non-executive Director					
Mr. KOO Fook Sun, Louis	60	–	–	–	60
Mr. SHA Pau, Eric	60	–	–	–	60
Mr. YING Wing Cheung, William	60	–	–	–	60
Mr. HO Kwan Tat, Ted (note (vi))	3	–	–	–	3
	183	–	–	–	183
	1,780	4,389	529	24	6,722

9. DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors emoluments (Continued)

The remuneration of each Director for the year ended 31st December 2006 is set out below:

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Mr. PONG Wai San, Wilson	–	–	–	–	–
Mr. CHEUNG Shi Kwan, Wings	–	96	–	2	98
Mr. LAU Wai Shu	–	529	–	10	539
Ms. IP Kit Yee, Kitty	–	11	–	–	11
Mr. CHAN Kin Chu, Harry	–	8	–	–	8
Mr. CHU Tak Long	–	10	–	–	10
	–	654	–	12	666
Non-executive Director					
Mr. TSANG Link Carl, Brian	90	1,652	–	–	1,742
Independent Non-executive Director					
Mr. KOO Fook Sun, Louis	122	–	–	–	122
Mr. SHA Pau, Eric	48	–	–	–	48
Mr. YING Wing Cheung, William	97	–	–	–	97
Mr. HUNG Tak Chow, Charles	60	–	–	–	60
Mr. LAI Hin Wing, Henry	60	–	–	–	60
	387	–	–	–	387
	477	2,306	–	12	2,795

9. DIRECTORS EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors emoluments (Continued)

Notes:

(i) Appointed on 12th April 2007
(ii) Appointed on 11th June 2007. For the purpose of these financial statements, the remuneration disclosed above represents the remuneration Mr. WONG Tsz Wa, Pierre received during the year (2006: HK$4,360,000).
(iii) Appointed on 20th June 2007
(iv) Resigned on 11th June 2007. For the purpose of these financial statements, the remuneration disclosed above represents the remuneration of Mr. LAU Wai Shu received during the year.
(v) Resigned on 1st March 2007
(vi) Appointed on 12th December 2007

No Director waived or agreed to waive any emoluments during the year (2006: Nil). No incentive payment for joining the Group was paid or payable to any Directors during the year (2006: Nil). HK$200,000 was paid to a Director as compensation for loss of office during the year (2006: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include two (2006: one) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: four) individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Basic salaries and allowances	**1,187**	1,503
Discretionary bonuses	**16**	–
Contribution to MPF scheme	**30**	48
	1,233	1,551

The emoluments fell within the following bands:

	Number of individuals	
Emoluments bands	**2007**	**2006**
Below HK$1,000,000	**3**	4

10. OPERATING PROFIT

	2007 HK$'000	2006 HK$'000
Operating profit is arrived at after charging:		
Auditors' remuneration	**1,383**	477
Loss on disposal of property, plant and equipment	**342**	372

11. FINANCE INCOME AND COSTS

	2007 HK$'000	2006 HK$'000
Finance income		
Bank interest income	**5,580**	4,672
Finance costs		
Finance cost of convertible notes	**(867)**	–
Interest on bank overdrafts	**(210)**	–
	(1,077)	–
Finance income, net	**4,503**	4,672

12. TAXATION

	2007 HK$'000	2006 HK$'000
Current		
Hong Kong profits tax	**21,313**	8,371
Deferred (note 21)	**(3,028)**	418
	18,285	8,789

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2007 HK$'000	2006 HK$'000
Profit before taxation	**96,269**	49,269
Calculated at a taxation rate of 17.5%	**16,847**	8,622
Income not subject to taxation	**(999)**	(852)
Expenses not deductible for taxation purposes	**2,476**	1,146
Utilisation of previously unrecognised tax losses	**(58)**	(382)
Recognition of previously unrecognised temporary differences	**24**	(32)
Tax losses not recognised	**591**	128
Others	**(596)**	159
Taxation charge	**18,285**	8,789

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$5,398,000 (2006: HK$1,808,000).

14. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December 2007 (2006: Nil). The dividend for the year ended 31st December 2006 represented an interim dividend of HK$55,000,000 declared by Midland Realty (Comm. & Ind.) Limited, a subsidiary of the Company, to its then shareholders prior to the Acquisition.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following:

	2007 HK$'000	2006 HK$'000
Profit attributable to equity holders	**78,449**	40,791
Effect on interest expense on convertible notes, net of tax	**715**	–
Profit for calculation of basic and diluted earnings per share	**79,164**	40,791
Weighted average number of shares in issue (thousands)	**8,300,000**	8,300,000
Effect on conversion of convertible notes (thousands)	**5,400,000**	5,400,000
Weighted average number of shares for calculation of basic earnings per share (thousands)	**13,700,000**	13,700,000
Effect on conversion of share option (thousands)	**47,362**	–
Weighted average number of shares for calculation of diluted earnings per share (thousands)	**13,747,362**	13,700,000
Basic earnings per share (HK cent)	**0.58**	0.30
Diluted earnings per share (HK cent)	**0.58**	0.30

Basic earnings per share is calculated by adjusting the weighted average number of shares to take effect of the convertible notes since the convertible notes are mandatory convertible. The convertible notes are assumed to have been converted into shares from the date when the combining entities first came under the control of the controlling party, and the net profit is adjusted to eliminate the interest expense less the tax effect.

In calculating the diluted earnings per share the weighted average number of shares is further adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have issued assuming the exercise of the share options.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
At 31st December 2005				
Cost	7,795	1,033	12,836	21,664
Accumulated depreciation	(3,543)	(353)	(8,196)	(12,092)
Net book amount	4,252	680	4,640	9,572
Year ended 31st December 2006				
Opening net book amount	4,252	680	4,640	9,572
Additions	900	–	1,076	1,976
Disposals	(448)	–	(116)	(564)
Depreciation	(3,069)	(205)	(1,796)	(5,070)
Exchange differences	(2)	–	(3)	(5)
Closing net book amount	1,633	475	3,801	5,909
At 31st December 2006				
Cost	7,993	1,033	13,418	22,444
Accumulated depreciation	(6,360)	(558)	(9,617)	(16,535)
Net book amount	1,633	475	3,801	5,909
Year ended 31st December 2007				
Opening net book amount	1,633	475	3,801	5,909
Additions	94	13	2,664	2,771
Disposals	(97)	(13)	(234)	(344)
Depreciation	(1,359)	(194)	(1,992)	(3,545)
Exchange differences	(6)	–	(5)	(11)
Closing net book amount	265	281	4,234	4,780
At 31st December 2007				
Cost	7,001	1,007	15,496	23,504
Accumulated depreciation	(6,736)	(726)	(11,262)	(18,724)
Net book amount	265	281	4,234	4,780

17. INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Website development HK$'000	Licensing rights HK$'000	Total HK$'000
At 31st December 2005				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,526)	(6,318)	(17,169)
Net book amount	–	8	–	8
Year ended 31st December 2006				
Opening net book amount	–	8	–	8
Amortisation	–	(8)	–	(8)
Closing net book amount	–	–	–	–
At 31st December 2006 and 2007				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	–	–	–	–

18. INVESTMENTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**642,608**	2,608

Details of principal subsidiaries are set out in note 34 to the financial statements.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007 HK$'000	2006 HK$'000
Non-current		
Derivative financial instruments, at market value	–	5,054
Current		
Equity securities listed in Hong Kong, at market value	**2,550**	130

The carrying amounts of the financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2007 HK$'000	2006 HK$'000
HK dollar	**2,550**	130
US dollar	–	5,054
	2,550	5,184

The fair value of financial assets at fair value through profit or loss is based on their current bid prices in an active market.

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts receivable and payable are unsecured, interest free and repayable on demand.

As at 31st December 2007, amounts receivable of HK$46,974,000 (2006: HK$46,974,000), are impaired and fully provided. All other subsidiaries have no default history.

21. DEFERRED TAXATION

	Group	
	2007 HK$'000	2006 HK$'000
Deferred taxation assets	**4,635**	1,635
Deferred taxation liabilities	**(13)**	(41)
	4,622	1,594

21. DEFERRED TAXATION (Continued)

The net movements on the deferred taxation are as follows:

	Group	
	2007 HK$'000	**2006 HK$'000**
At beginning of year	**1,594**	2,012
Recognised in the income statement (note 12)	**3,028**	(418)
At end of year	**4,622**	1,594

The movements in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred taxation assets

	Group	
	2007 HK$'000	**2006 HK$'000**
Provision		
At beginning of year	**1,688**	2,615
Recognised in the income statement	**3,049**	(927)
At end of year	**4,737**	1,688

Deferred taxation liabilities:

	Group	
	2007 HK$'000	**2006 HK$'000**
Accelerated tax depreciation		
At beginning of year	**(94)**	(603)
Recognised in the income statement	**(21)**	509
At end of year	**(115)**	(94)

Deferred taxation assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred taxation assets of HK$2,941,000 (2006: HK$2,023,700) in respect of losses amounting to HK$16,808,000 (2006: HK$11,564,000) as at 31st December 2007. These tax losses can be carried forward against future taxable income and have no expiry date.

21. DEFERRED TAXATION (Continued)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset assets against liabilities and when the deferred taxation relate to the same fiscal authority. The gross amounts before offsetting are as follows:

	Group	
	2007 HK$'000	**2006 HK$'000**
Deferred taxation assets		
– Recoverable within twelve months	**4,635**	1,635
Deferred taxation liabilities		
– Payable settled within twelve months	**(13)**	(41)

22. TRADE AND OTHER RECEIVABLE

	Group	
	2007 HK$'000	**2006 HK$'000**
Trade receivable	**226,200**	107,233
Less: Impairment	**(11,181)**	(12,007)
Trade receivable – net	**215,019**	95,226
Other receivable, prepayments and deposits	**12,425**	8,717
	227,444	103,943

The trade receivable represents principally agency fee receivable from customers whereby no general credit facilities is available. The customers are obliged to settle the amounts upon the completion of the relevant agreements. The ageing analysis of the trade receivable is as follows:

	Group	
	2007 HK$'000	**2006 HK$'000**
Not yet due	**188,751**	74,932
Less than 30 days	**10,879**	9,754
31 to 60 days	**4,887**	3,786
61 to 90 days	**1,283**	1,997
91 to 180 days	**9,219**	4,757
	215,019	95,226

22. TRADE AND OTHER RECEIVABLE (Continued)

Trade receivable that is less than six months past due are not considered impaired, of which HK$26,268,000 (2006: HK$20,294,000) is past due but not impaired.

Trade receivable of HK$11,181,000 (2006: HK$12,007,000) is past due more than six months, impaired and fully provided. The ageing of such receivable is as follows:

	Group	
	2007 HK$'000	2006 HK$'000
6 to 12 months	**4,901**	2,962
Over 12 months	**6,280**	9,045
	11,181	12,007

Movements on the provision for impairment of trade receivable are as follows:

	Group	
	2007 HK$'000	2006 HK$'000
At beginning of year	**12,007**	8,422
Provision for impairment	**32,418**	9,069
Written off uncollectible debts	**(29,567)**	(5,197)
Unused amounts reversed	**(3,677)**	(287)
At end of year	**11,181**	12,007

The other classes within trade and other receivable do not contain past due or impaired assets. The Group does not hold any collateral as security.

23. AMOUNTS DUE FROM/(TO) GROUP COMPANIES

	Group	
	2007 HK$'000	2006 HK$'000
Amounts receivable:		
Ultimate holding company	–	1,590
Immediate holding company	–	135,409
Fellow subsidiaries	–	147
	–	137,146
Amounts payable:		
Ultimate holding company	–	7,049
Fellow subsidiaries	–	16,088
	–	23,137

The amounts receivable and payable are unsecured, interest-free and repayable on demand.

24. CASH AND BANK BALANCES

	Group		Company	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Cash at bank and in hand	**26,683**	7,794	**1**	4
Short-term bank deposits	**116,608**	111,848	**–**	–
	143,291	119,642	**1**	4

The effective interest rate on short-term bank deposits was 3.6% (2006: 3.8%); these deposits have an average maturity of 22 days (2006: 19 days).

25. SHARE CAPITAL

(a) Share capital

	Number of shares (HK$0.01 each)	Nominal value HK$'000
Authorised:		
At 31st December 2007 and 2006	50,000,000,000	500,000
Issued and fully paid:		
At 31st December 2007 and 2006	8,300,000,000	83,000

(b) Share options

On 6th June 2005, the Company adopted a new share option scheme (the "Scheme") pursuant to an ordinary resolution. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, Directors (including Executive, Non-executive and independent Non-executive Directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the Directors of the Company, have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the Directors of the Company, and will not be less than the higher of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company quoted on the GEM of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (iii) the closing price of the shares quoted on the GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in GEM Listing Rules. The Scheme will remain in force for a period of ten years commencing from 6th June 2005.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price per share HK$	Number of options	Average exercise price per share HK$	Number of options
At beginning of year	**0.06**	**83,000,000**	–	–
Granted during the year	–	–	0.06	83,000,000
At end of year	**0.06**	**83,000,000**	0.06	83,000,000

25. SHARE CAPITAL (Continued)

(b) Share options (Continued)

Share options of the Company outstanding at the end of year having the following exercisable periods and exercises prices:

	2007 Exercise price per share HK$	2007 Number of options	2006 Exercise price per share HK$	2006 Number of options
Exercisable period				
1st April 2006 to 31st March 2009	**0.06**	**41,500,000**	0.06	41,500,000
1st June 2006 to 31st May 2009	**0.06**	**41,500,000**	0.06	41,500,000
As at 31st December 2007		**83,000,000**		83,000,000

26. RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2006	85,816	80,927	14,918	–	135	–	(32,028)	149,768
Currency translation differences	–	–	–	–	53	–	–	53
Share-based benefits	–	–	–	–	–	1,652	–	1,652
Profit for the year	–	–	–	–	–	–	40,791	40,791
Dividend	–	–	–	–	–	–	(55,000)	(55,000)
At 31st December 2006	85,816	80,927	14,918	–	188	1,652	(46,237)	137,264
Currency translation differences	–	–	–	–	12	–	–	12
Reserve arising from the Acquisition (note 2)	–	(640,000)	–	–	–	–	–	(640,000)
Issue of convertible notes	–	–	–	517,352	–	–	–	517,352
Profit for the year	–	–	–	–	–	–	78,449	78,449
At 31st December 2007	85,816	(559,073)	14,918	517,352	200	1,652	32,212	93,077

26. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000 (note (c))	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January 2006	85,816	2,509	–	–	(46,026)	42,299
Share-based benefits	–	–	–	1,652	–	1,652
Loss for the year	–	–	–	–	(1,808)	(1,808)
At 31st December 2006	85,816	2,509	–	1,652	(47,834)	42,143
Issue of convertible notes	–	–	517,352	–	–	517,352
Loss for the year	–	–	–	–	(5,398)	(5,398)
At 31st December 2007	85,816	2,509	517,352	1,652	(53,232)	554,097

Notes:

(a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid to Midland totalling HK$640,000,000 pursuant to the Acquisition.

(b) Capital reserve represents the difference between the nominal value of the ordinary share issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 28th February 2001.

(c) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to group reorganisation on 28th February 2001.

27. CONVERTIBLE NOTES

On 6th June 2007, the Company issued an aggregate of HK$540,000,000 1% convertible notes due in June 2012 as part of the consideration for the Acquisition as set out in note 1 above. The holders of the note have the right to convert the notes into new shares of HK$0.01 each of the Company, during a period commencing from the date immediately after six months from date of issue of the note, unless with the prior written consent from the Company, to date of maturity, at an initial conversion price of HK$0.10 per share. Unless previously converted, the note will be mandatory converted at date of maturity on 6th June 2012. The liability component represents the present value of interest payable under the convertible notes using the discount rate of 6.57%.

No convertible note was converted into shares of the Company during the year ended 31st December 2007.

28. TRADE AND OTHER PAYABLE

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Trade payable	**149,184**	58,496	**–**	–
Other payable and accruals	**23,663**	13,126	**818**	–
	172,847	71,622	**818**	–

The trade payable represents principally the commissions payable to property consultants, cooperative estate agents and fellow subsidiaries. The trade payable is due for payment only upon the receipt of corresponding agency fees from customers. The trade payable includes commission payable of HK$15,368,000 (2006: HK$5,209,000) which is due for payment within 30 days, and all the remaining trade payable not yet due.

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts payable were unsecured, interest free and repayable on demand.

30. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash generated from operations

	2007 HK$'000	2006 HK$'000
Operating profit	**91,766**	44,597
Depreciation and amortisation	**3,545**	5,078
Loss on disposal of property, plant and equipment	**342**	372
Share-based benefits	–	1,652
Gain on disposal of a subsidiary	**(698)**	(381)
Realised and unrealised loss/(gain) on financial assets at fair value through profit or loss	**960**	(48)
Operating profit before working capital changes	**95,915**	51,270
Change in balances with group companies	**114,009**	(44,962)
(Increase)/decrease in trade and other receivable	**(123,501)**	4,341
Increase/(decrease) in trade and other payable	**101,925**	(10,234)
Decrease in amount due to minority shareholders	**(180)**	(200)
Net cash generated from operations	**188,168**	215

(b) Disposal of subsidiaries

	2007 HK$'000	2006 HK$'000
Net liabilities disposed of:		
Property, plant and equipment	–	191
Trade and other receivables	–	296
Cash and bank balances	–	218
Other payable and accruals	**(698)**	(1,503)
Minority interest	–	319
	(698)	(479)
Disposal of loan due from subsidiaries	–	264
	(698)	(215)
Gain on disposal of subsidiaries	**698**	381
Total consideration	–	166
Satisfied by		
Cash	–	166

30. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

An analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007 HK$'000	2006 HK$'000
Cash consideration	–	166
Cash and bank balances disposed	–	(218)
	–	(52)

31. CONTINGENT LIABILITIES

At 31st December 2007, the Company executed corporate guarantees amounting to HK$15,500,000 (2006: Nil) as the securities for general banking facilities extended to a wholly-owned subsidiary. At 31st December 2007, none of the banking facilities were utilised by the subsidiary (2006: Nil).

32. COMMITMENTS

(a) Capital commitments

	Group	
	2007 HK$'000	2006 HK$'000
Property, plant and equipment		
Contracted but not provided for	**29,688**	–

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office and shop premises as follows:

	Group	
	2007 HK$'000	2006 HK$'000
Not later than one year	**14,412**	8,132
Later than one year and not later than five years	**11,094**	4,283
	25,506	12,415

33. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year and balances with related parties at the balance sheet date:

(a) Transactions with related parties

	Notes	Group 2007 HK$'000	Group 2006 HK$'000
Agency fee income from fellow subsidiaries	(i)	**20,506**	4,515
Agency fee income from related companies	(ii)	**3,473**	870
Rebate commission expense to fellow subsidiaries	(iii)	**31,173**	21,245
Operating lease rental expense in respect of office and shop premises to related companies	(iv)	**2,844**	2,568
Web-site advertising expense to a fellow subsidiary	(v)	**189**	452
Management fee expense to a fellow subsidiary	(vi)	**–**	475
Management fee expense to ultimate holding company	(vii)	**3,651**	7,222

Notes:

(i) Agency fee from fellow subsidiaries represents agency fee for property brokerage transactions referred to fellow subsidiaries on terms mutually agreed by both parties.

(ii) Agency fee from related companies represents agency fee for property brokerage services provided to certain companies in which, a director of ultimate holding company has beneficial interests, on terms mutually agreed by both parties.

(iii) Commission expense to fellow subsidiaries represents commission for property brokerage transactions referred by fellow subsidiaries on terms mutually agreed by both parties.

(iv) The Group entered into certain lease agreement with certain related companies, in which, a Director of ultimate holding company has beneficial interests, on terms mutually agreed by both parties.

(v) Web-site advertising expense to a fellow subsidiary, for the purpose of advertising and promotion on the website of the business, were charged on terms mutually agreed by both parties.

(vi) Management fee expense to a fellow subsidiary for the provision of general administration services was determined by predetermined rate according to the net agency fee income of the Group with a mark up of 5% of the actual administration cost.

(vii) Management fee expense to ultimate holding company for the provision of general administration services was determined by predetermined rate according to the net agency fee income of the Group with a mark up of 5% of the actual administration cost.

(viii) In June 2007, the Company acquired the entire interest of Ketanfall from an indirect wholly-owned subsidiary of Midland for a consideration of HK$640 million as detailed in note 1 above.

33. RELATED PARTY TRANSACTIONS (Continued)

(b) The balances arising from receipt and provision of services included in trade receivables and trade payables are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Amounts due from fellow subsidiaries	**10,580**	5,623
Amounts due to fellow subsidiaries	**20,086**	8,447

(c) Key management compensation

	Group 2007 HK$'000	Group 2006 HK$'000
Salaries and allowances	**6,698**	2,783
Retirement benefit costs	**24**	12
	6,722	2,795

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities	Interest held %
EVI Education Asia Limited (formerly known as Network Focus Consultancy Corporation)	British Virgin Islands	2,000 ordinary shares of US$1 each	Investment holding in Hong Kong	100
EVI eTraining Limited	Hong Kong	1 ordinary share of HK$1	Provision of online training courses in Hong Kong	100
EVI Services Limited	Hong Kong	21,053 ordinary shares of HK$1 each	Sales and installation of computer hardware and software, provision of computer training services and internet education services in Hong Kong	100
EVI-MDV Technical Development Limited	People's Republic of China ("PRC")	Registered capital of HK$5,000,000	Development of computer software and provision of technical support and after-sales services in the PRC	70
Gainwell Group Limited	British Virgin Islands	1 ordinary share of US$1	Investment holding in Hong Kong	100

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities	Interest held %
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 ordinary shares of HK$1 each	Property agency	100
Ketanfall Group Limited	British Virgin Islands	14 ordinary shares of US$1 each	Investment holding in Hong Kong	100
Leader Concord Limited	Hong Kong	2 ordinary shares of HK$1 each	Investment holding in Hong Kong	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 ordinary shares of HK$1 each	Property agency	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 ordinary shares of HK$1 each	Property agency	100
Midland Realty (Shops) Limited	Hong Kong	500,000 ordinary shares of HK$1 each	Property agency	100
Silicon Workshop Limited	Hong Kong	100 ordinary shares of HK$1 each	Sales and installation of computer hardware and software and provision of computer training services in Hong Kong	80
Sinodelta Limited	Hong Kong	2 ordinary shares of HK$1 each	Provision of SMS messaging services and training of music boards and attendance systems in Hong Kong and leasing in Hong Kong	100
Teamway Group Limited	British Virgin Islands	1 ordinary share of US$1	Property investment in Hong Kong	100
Unicorp Investment Limited	Hong Kong	1 ordinary share of HK$1	Investment Securities	100
Value Media International Limited	British Virgin Islands	100 ordinary shares of US$1 each	Investment holding in Hong Kong	100
廣州搖籃軟件開發有限公司	PRC	Registered capital of HK$150,000	Development of computer software and provision of advisory services in the PRC	100

Five-year Financial Summary

	Year ended 30th September 2003 HK$'000	2004 HK$'000	Fifteen month period ended 31st December 2005 HK$'000	Year ended 31st December 2006 HK$'000	2007 HK$'000
Turnover	19,959	20,206	31,258	292,950	**464,405**
Profit/(loss) attributable to equity holders of the Company	(9,476)	(4,205)	(1,007)	40,791	**78,449**
Total assets	30,299	26,961	130,171	376,777	**383,843**
Total liabilities	7,214	5,875	5,101	155,795	**207,513**
Minority interest	91	2,225	709	718	**253**
Net assets	22,994	18,861	124,361	220,264	**176,077**
Total equity	23,085	21,086	125,070	220,982	**176,330**
Earnings/(loss) per share-basic (cent)	(0.24)	(0.11)	(0.02)	0.30	**0.58**

Note: For the purpose of five-year financial summary, the financial information for the fifteen month period ended 31st December 2005 had not been restated to reflect the effect arising from the common control combination in 2005 as the Directors consider that this would involve undue delay and expense.

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