Notes to the Financial Statements

1. General information

Midland Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the provision of property brokerage services in Hong Kong, the People's Republic of the China (the "PRC") and Macau with more than 400 branches. The Company is a limited liability company incorporated in Bermuda and listed on the Main Board at The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and principle office is Room 2505-2508, 25th Floor, Worldwide House, 19 Des Voeux Road, Central, Hong Kong.

These financial statements have been approved by the board of directors (the "Directors" or the "Board") on 12th March 2007.

2. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

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 accounting policies of the Group. 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 4.

In 2006, the Group adopted the new amendments and interpretations of HKFRS and Hong Kong Accounting Standards ("HKAS") below, which are relevant to its operations.

HKAS 21 Amendment	New Investment in a Foreign Operation
HKAS 39 and IFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretations does not result in any change to the accounting policies of the Group.

Certain new standards, amendments and interpretations to the published standards that are relevant for the Group's operations and mandatory for accounting period beginning on or after 1st May 2006 or later periods that the Group has not early adopted, are as follows:

(i) HKFRS 7 "Financial Instruments: Disclosures" and HKAS 1, "Presentation of Financial Statements – Capital Disclosures" require additional disclosures relating to sensitivity analysis to market risk and capital disclosures.

(ii) HK(IFRIC)-Int 8 "Scope of HKFRS 2" requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued, to establish whether or not they fall within the scope of HKFRS 2.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment" prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The Group will apply the above for its financial period commencing on 1st January 2007, but it is not expected to have any significant impact on the financial position of the Group.

(b) Consolidation

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

(i) Subsidiaries

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 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 Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the 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 losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(b) Consolidation (continued)

(ii) Jointly controlled entities

A jointly controlled entity is a joint venture under a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of post-acquisition profits or losses of the jointly controlled entities is recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in jointly controlled entities equals or exceeds its interest in the jointly controlled entities, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(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.

(d) Foreign currency translation

(i) Functional and presentation currency

Transactions 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 of monetary assets and liabilities denominated in foreign currencies at exchange rates ruling at the balance sheet date are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(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 equity. When a foreign operation is partially disposed 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 losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset 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:

Buildings	50 years
Leasehold improvements	2 to 3 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(f) Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations conducted by a professional valuer employed by the Group according to active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Changes in fair values are recognised in the income statement as part of other income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Research and website development costs

The costs for developing websites which include external direct cost of materials and services consumed in developing the website are capitalised, and the capitalisation of such costs ceases no later than the point at which the website is substantially completed and ready for its intended purpose, except that such costs involve provision of additional functions or features to the website. Website development costs are amortised on a straight-line basis over a period of three years, which represent the expected useful life of the website. Capitalised website development costs are stated at cost less accumulated amortisation and impairment losses.

Research and other development costs relating to website development and website maintenance costs are expensed in the financial period in which they are incurred.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss 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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(i) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held to-maturity investments, financial assets at fair value through profit or loss and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every balance sheet date.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

(i) Loans and receivables

Loans and receivables 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 and are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(ii) Held-to maturity investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the balance sheet date and are classified as current assets.

(iii) 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 by management. 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.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months of the balance sheet date.

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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within other income in the 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.

Changes in fair value of monetary available-for-sales financial assets are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Interest income on held-to-maturity investments and available-for-sale financial assets is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are 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. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(j) Trade and other receivables

Trade and other receivables 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 receivables 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 receivables. 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 is impaired. The amount of the provision is the difference between the asset's 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.

(k) 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.

(l) 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(m) Trade payable

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

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(o) Deferred tax

Deferred tax 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, the deferred tax 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 tax 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 tax asset is realised or the deferred tax liability is settled.

Deferred tax 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 tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, 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.

(p) 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.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

(iii) Share-based compensation

The Group operates equity-settled, share-based compensation plans. Share options are granted to directors, full time employees and consultants.

The fair value of the employee services received in exchange for the grant of the 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.

(q) 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.

(r) Revenue recognition

Revenue comprises the fair value of services and sales of goods in the ordinary course of the activities of the Group. Revenue is shown net of sales tax, returns, rebates and discounts and other revenue reducing factors.

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.

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

Internet education services income is recognised when the related services are rendered.

Operating lease rental income is recognised on a straight-line basis.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(r) Revenue recognition (continued)

Web advertising income and other services income including income from property valuation, other advertising and referral services are recognised when services are rendered.

Dividend income is recognised when the right to receive payment is established.

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

(s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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.

(t) Dividend distribution

Dividend distribution is recognised as a liability in the financial statements in the period in which the dividends become legal and contractual obligations of the Group.

(u) 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.

Notes to the Financial Statements (continued)

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk.

(i) Foreign exchange risk

The Group operates in Hong Kong and certain overseas countries and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. Bank loans at variable rates expose the Group to cash flow interest-rate risk. Details of the Group's bank borrowings are disclosed in note 30 below.

The Group has not used any interest rate swaps to hedge its exposure to cash flow interest rate risk.

(iii) Credit risk

The Group has no significant concentrations of credit risk as the Group has a large number of customers. Property agency services provided to customers are settled in cash or cheque payments.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the Financial Statements (continued)

3. Financial risk management (continued)

(b) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, accounts receivable; and financial liabilities including accounts payable, short-term borrowings, 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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of investment property is based on recent active markets prices or discounted cash flow projections.

4. 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.

(a) Critical accounting estimates and assumptions

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 adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of trade receivable

The management determines the provision for impairment of accounts receivable. This estimate is based on the historical pattern of discount, bad debts and fallen through by business segments and the current market condition. Management reassesses the provision at each balance sheet date.

Notes to the Financial Statements (continued)

4. Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

(ii) Fair value of investment properties

The valuation of investment properties is made on the basis of the open market value of each property. The valuation is reviewed by professional valuers employed by the Group. The management will reassess the assumptions by considering the information from a variety of sources including (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; and (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(iii) Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired by the Group, in accordance with the accounting policy of the Group. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of significant estimates and judgement.

(b) Critical judgements in applying accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generates cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

Notes to the Financial Statements (continued)

5. Turnover, revenues and segment information

(a) Turnover and other revenues

	2006 HK$'000	2005 HK$'000
Turnover		
Agency fee revenue	1,972,124	2,332,004
Other revenues		
Gross rental income from investment properties	2,606	5,243
Web advertising income	5,573	5,746
Internet education services income	27,124	22,791
Other services income	7,231	3,684
	42,534	37,464
Total revenues	2,014,658	2,369,468

Notes to the Financial Statements (continued)

5. Turnover, revenues and segment information (continued)

(b) Segment information

The Group is organised into four main business segments including residential property brokerage, industrial and commercial property brokerage, property leasing and internet education services. Other operations of the Group mainly comprise web advertising services, advertising services and valuation services.

	For the year ended 31st December 2006						
	Residential property brokerage HK$'000	Industrial and commercial property brokerage HK$'000	Property leasing HK$'000	Internet education services HK$'000	Others HK$'000	Inter-segment elimination and unallocated HK$'000	Total HK$'000
Turnover							
External sales	1,677,067	295,057	–	–	–	–	1,972,124
Other revenues							
External sales	–	–	2,606	27,124	12,804	–	42,534
Inter-segment sales	–	–	10,090	–	3,948	(14,038)	–
Segment revenues	1,677,067	295,057	12,696	27,124	16,752	(14,038)	2,014,658
Segment results	73,749	64,043	15,430	(15,778)	5,780	43,444	186,668
Unallocated income							16,092
Unallocated costs							(43,285)
Operating profit before interest income and finance costs							159,475
Net finance income							9,922
Share of profits less losses of jointly controlled entities	(177)	–	–	–	8,166	–	7,989
Profit before income tax							177,386
Income tax expenses							(33,118)
Profit for the year							144,268

Notes to the Financial Statements (continued)

5. Turnover, revenues and segment information (continued)

(b) Segment information (continued)

	As at 31st December 2006						
	Residential property brokerage HK$'000	Industrial and commercial property brokerage HK$'000	Property leasing HK$'000	Internet education services HK$'000	Others HK$'000	Inter-segment elimination and unallocated HK$'000	Total HK$'000
Segment assets	1,013,233	117,409	103,513	153,126	22,033	–	1,409,314
Interests in jointly controlled entities	385	–	–	–	11,331	–	11,716
Unallocated assets							508,186
Total assets							1,929,216
Segment liabilities	601,037	67,218	1,026	6,264	8,095	–	683,640
Unallocated liabilities							51,157
Total liabilities							734,797
Capital expenditure	13,852	1,168	5,752	762	55	7	21,596
Depreciation	45,474	4,524	183	959	423	155	51,718
Amortisation	–	–	1,812	9,895	–	438	12,145
Other non-cash expenses/(income)	45,750	12,752	(6,913)	(77)	74	–	51,586

Notes to the Financial Statements (continued)

5. Turnover, revenues and segment information (continued)

(b) Segment information (continued)

	For the year ended 31st December 2005						
	Residential property brokerage HK$'000	Industrial and commercial property brokerage HK$'000	Property leasing HK$'000	Internet education services HK$'000	Others HK$'000	Inter-segment elimination and unallocated HK$'000	Total HK$'000
Turnover							
External sales	2,053,191	278,813	–	–	–	–	2,332,004
Other revenues							
External sales	–	–	5,243	22,791	9,430	–	37,464
Inter-segment sales	–	–	8,954	–	3,749	(12,703)	–
Segment revenues	2,053,191	278,813	14,197	22,791	13,179	(12,703)	2,369,468
Segment results	168,468	47,770	21,224	(15,258)	5,128	73,695	301,027
Unallocated costs							(70,281)
Operating profit before interest income and finance costs							230,746
Net finance income							6,890
Share of profits less losses of jointly controlled entities	(253)	–	–	–	6,121	–	5,868
Profit before income tax							243,504
Income tax expenses							(34,676)
Profit for the year							208,828

Notes to the Financial Statements (continued)

5. Turnover, revenues and segment information (continued)

(b) Segment information (continued)

	For the year ended 31st December 2005						
	Residential property brokerage HK$'000	Industrial and commercial property brokerage HK$'000	Property leasing HK$'000	Internet education services HK$'000	Others HK$'000	Inter-segment elimination and unallocated HK$'000	Total HK$'000
Segment assets	1,007,530	102,316	193,722	161,817	13,574	–	1,478,959
Interests in jointly controlled entities	535	–	–	–	14,165	–	14,700
Unallocated assets							342,181
Total assets							1,835,840
Segment liabilities	587,468	60,486	2,043	5,736	5,763	–	661,496
Unallocated liabilities							101,957
Total liabilities							763,453
Capital expenditure	82,331	5,962	67,235	62,145	308	–	217,981
Depreciation	44,546	3,227	160	707	113	128	48,881
Amortisation	–	–	3,162	7,415	–	370	10,947
Impairment charges	–	–	–	5,410	5,789	–	11,199
Other non-cash expenses/(income)	94,398	23,563	(10,843)	103	239	–	107,460

No analysis of the Group's 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 Group's activities and operations.

Notes to the Financial Statements (continued)

6. Other income, net

	2006 HK$'000	2005 HK$'000
Realised and unrealised gains on financial assets at fair value through profit or loss	15,930	193
Impairment on available-for-sale financial assets	–	(5,789)
Bank interest income	13,661	9,526
Dividend income from listed investments	3,109	2,071
Change in fair value of investment properties	6,913	10,843
Gain on disposal of interest in a jointly controlled entity	58	–
Gain on disposal of a subsidiary	381	–
	40,052	16,844

7. Staff costs

	2006 HK$'000	2005 HK$'000
Salaries and allowances	461,631	512,177
Commissions	592,938	736,185
Pension costs – defined contribution plans	28,976	31,998
Share options (note 29)	1,890	163
	1,085,435	1,280,523

With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme is set up 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 MPF scheme cost charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totalling HK$2,144,000 (2005: HK$2,655,000) which are payable to the fund are included in other payable and accrued charges as at 31st December 2006.

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

Notes to the Financial Statements (continued)

8. Other operating costs

Other operating costs include the following charges:

	2006 HK$'000	2005 HK$'000
Impairment of goodwill (note 18)	–	5,410
Depreciation of property, plant and equipment (note 15)	51,718	48,881
Amortisation of leasehold land and land use rights (note 17)	2,250	3,532
Amortisation of intangible assets (note 18)	9,895	7,415
Loss on disposal of investment properties	518	–
Loss on disposal of leasehold land, property, plant and equipment	4,996	1,013
Operating leases in respect of office and shop premises	271,506	225,423
Provision for bad and doubtful debts	58,499	118,303
Direct operating expenses arising from investment properties that:		
– generated rental income	111	115
– did not generate rental income	51	58
Auditors' remuneration	2,789	2,237

9. Finance costs

	2006 HK$'000	2005 HK$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,445	586
Not wholly repayable within five years	651	2,050
	2,096	2,636
Interest on securities margin financing	1,643	–
	3,739	2,636

Notes to the Financial Statements (continued)

10. Income tax expenses

	2006 HK$'000	2005 HK$'000
Current tax		
Hong Kong profits tax	32,256	47,140
Overseas taxation	329	396
Over provision in prior years	(695)	(1,954)
Deferred tax (note 31)	1,228	(10,906)
	33,118	34,676

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable 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 income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2006 HK$'000	2005 HK$'000
Profit before income tax	177,386	243,504
Less: share of profits of jointly controlled entities	(7,989)	(5,868)
	169,397	237,636
Calculated at a taxation rate of 17.5%	29,645	41,586
Effect of different taxation rates in other countries	(1,594)	(1,077)
Income not subject to taxation	(4,673)	(4,313)
Expenses not deductible for taxation purposes	1,949	5,077
Utilisation of previously unrecognised tax losses	–	(5,378)
Temporary differences unrecognised	1,178	712
Tax losses not recognised	8,210	8,837
Recognition of previously unrecognised tax losses	–	(13,375)
Others	(1,597)	2,607
Income tax expenses	33,118	34,676

Notes to the Financial Statements (continued)

11. Profit attributable to equity holders of the company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$361,000 (2005: HK$356,744,000).

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year as follows:

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	149,940	213,626
Weighted average number of shares in issue (thousands)	734,339	731,545
Basic earnings per share (HK cents per share)	20.4	29.2

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares arising from exercising the share options which is calculated by determining the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2006	2005
Profit attributable to equity holders of the Company (HK$'000)	149,940	213,626
Weighted average number of shares in issue (thousands)	734,339	731,545
Adjustments for share options (thousands)	218	50
Weighted average number of ordinary shares for diluted earnings per share (thousands)	734,557	731,595
Diluted earnings per share (HK cents per share)	20.4	29.2

Notes to the Financial Statements (continued)

13. Dividends

	2006 HK$'000	2005 HK$'000
Interim paid of HK$0.028 (2005: HK$0.10) per share	20,571	74,283
Proposed final of HK$0.072 (2005: HK$0.016) per share	52,737	11,755
	73,308	86,038

At a Board meeting held on 12th March 2007, the Directors proposed a final dividend of HK$0.072 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

14. Directors' and executives' emoluments

(a) Directors' emoluments

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

Name	Fees HK$'000	Salaries, allowances, commission and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Director					
Mr WONG Kin Yip, Freddie	–	13,477	9,994	12	23,483
Ms TANG Mei Lai, Metty	–	1,056	1,490	12	2,558
Ms LAM Fung Fong	–	1,785	622	12	2,419
Mr CHAN Kwan Hing	–	6,003	1,425	12	7,440
Mr KWOK Ying Lung	–	3,499	1,150	12	4,661
	–	25,820	14,681	60	40,561
Independent Non-executive Director					
Mr KOO Fook Sun, Louis	180	–	–	–	180
Mr SUN Tak Chiu	180	–	–	–	180
Mr WANG Ching Miao, Wilson	180	–	–	–	180
	540	–	–	–	540
	540	25,820	14,681	60	41,101

Notes to the Financial Statements (continued)

14. Directors' and executives' emoluments (continued)

(a) Directors' emoluments (continued)

The remuneration of each Director for the year ended 31st December 2005 is set out below:

Name	Fees HK$'000	Salaries, allowances, commission and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Compensation for loss of office as director HK$'000	Total HK$'000
Executive Director						
Mr WONG Kin Yip, Freddie	–	12,585	13,435	12	–	26,032
Ms TANG Mei Lai, Metty (note a)	–	28	110	–	–	138
Ms LAM Fung Fong	–	1,509	863	12	–	2,384
Mr CHAN Kwan Hing	–	9,993	1,276	12	–	11,281
Mr KWOK Ying Lung	–	5,651	26	12	–	5,689
Mr CHEUNG Kam Shing (note b)	–	6,239	–	11	3,176	9,426
	–	36,005	15,710	59	3,176	54,950
Independent Non-executive Director						
Mr KOO Fook Sun, Louis	180	–	–	–	–	180
Mr SUN Tak Chiu	180	–	–	–	–	180
Mr WANG Ching Miao, Wilson	180	–	–	–	–	180
	540	–	–	–	–	540
	540	36,005	15,710	59	3,176	55,490

Notes:

(a) Appointed on 22nd December 2005

(b) Resigned on 1st November 2005

Notes to the Financial Statements (continued)

14. Directors' and executives' emoluments (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2005: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: two) individual during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,647	2,868
Discretionary bonuses	562	1,373
Compensation for loss of office – contractual payments	–	981
Contribution to MPF scheme	12	20
	2,221	5,242

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands	2006	2005
HK$2,000,001 – HK$2,500,000	1	1
HK$2,500,001 – HK$3,000,000	–	1

Notes to the Financial Statements (continued)

15. Property, plant and equipment

	Group					
	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2005						
Cost	21,731	88,359	26,199	114,906	3,274	254,469
Accumulated depreciation	(10,230)	(62,064)	(15,227)	(88,595)	(2,559)	(178,675)
Net book amount	11,501	26,295	10,972	26,311	715	75,794
Year ended 31st December 2005						
Opening net book amount	11,501	26,295	10,972	26,311	715	75,794
Acquisition of a subsidiary	–	883	15	553	–	1,451
Additions	1,396	49,401	10,345	29,634	504	91,280
Transfer from investment properties (note 16)	1,572	–	–	–	–	1,572
Disposals	–	(815)	(337)	(367)	–	(1,519)
Depreciation	(288)	(31,509)	(3,914)	(12,825)	(345)	(48,881)
Exchange differences	–	–	116	–	–	116
Closing net book amount	14,181	44,255	17,197	43,306	874	119,813
At 31st December 2005						
Cost	24,699	136,682	35,739	152,336	3,778	353,234
Accumulated depreciation	(10,518)	(92,427)	(18,542)	(109,030)	(2,904)	(233,421)
Net book amount	14,181	44,255	17,197	43,306	874	119,813
Year ended 31st December 2006						
Opening net book amount	14,181	44,255	17,197	43,306	874	119,813
Additions	–	10,462	1,377	4,489	–	16,328
Transfer from investment properties (note 16)	503	–	–	–	–	503
Transfer to investment properties (note 16)	(85)	–	–	–	–	(85)
Disposals	(1,548)	(2,107)	(618)	(3,070)	–	(7,343)
Depreciation	(325)	(31,392)	(4,868)	(14,782)	(351)	(51,718)
Exchange differences	–	90	218	(1)	–	307
Closing net book amount	12,726	21,308	13,306	29,942	523	77,805
At 31st December 2006						
Cost	23,300	137,081	36,344	147,960	3,778	348,463
Accumulated depreciation	(10,574)	(115,773)	(23,038)	(118,018)	(3,255)	(270,658)
Net book amount	12,726	21,308	13,306	29,942	523	77,805

At 31st December 2006, the carrying amount of buildings pledged as security for the Group's long-term bank loans amounted to HK$1,886,000 (2005: HK$14,181,000) (note 30).

Notes to the Financial Statements (continued)

16. Investment properties

	Group	
	2006	2005
	HK$'000	HK$'000
Opening net book amount	99,670	51,449
Additions	5,268	59,878
Transferred from buildings (note 15)	85	–
Transferred from leasehold land and land use rights (note 17)	1,682	–
Transfer to buildings (note 15)	(503)	(1,572)
Transfer to leasehold land and land use rights (note 17)	(7,597)	(20,928)
Disposals	(77,970)	–
Change in fair value (note 6)	6,913	10,843
Closing net book amount	27,548	99,670

The investment properties were revalued at 31st December 2006 by Alvin T.P. Lam, a qualified surveyor employed by the Group, based on current prices in an active market for all properties.

The Group's interests in investment properties at their net book values are analysed as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	4,750	81,590
Leases of between 10 to 50 years	11,200	10,580
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	11,598	7,500
	27,548	99,670

At 31st December 2006, none of investment properties were pledged as security for the Group's long-term bank loans (2005: HK$92,170,000) (note 30).

Notes to the Financial Statements (continued)

17. Leasehold land and land use rights

	Group	
	2006 HK$'000	2005 HK$'000
Opening net book amount	123,482	100,123
Additions	–	5,963
Transferred from investment properties (note 16)	7,597	20,928
Transfer to investment properties (note 16)	(1,682)	–
Disposals	(20,801)	–
Amortisation	(2,250)	(3,532)
Closing net book amount	106,346	123,482

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

	Group	
	2006 HK$'000	2005 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	53,803	85,370
Leases of between 10 to 50 years	46,707	32,181
Outside Hong Kong, held on:		
Leases of over 50 years	5,836	5,931
	106,346	123,482

At 31st December 2006, the net book value of leasehold land and land use rights pledged as security for the Group's long-term bank loans amounted to HK$24,927,000 (2005: HK$117,551,000) (note 30).

Notes to the Financial Statements (continued)

18. Intangible assets

	Group		
	Goodwill HK$'000	Website costs and databases HK$'000	Total HK$'000
Year ended 31st December 2005			
Acquisition of subsidiary	29,750	29,659	59,409
Impairment	(5,410)	–	(5,410)
Amortisation	–	(7,415)	(7,415)
Closing net book amount	24,340	22,244	46,584
At 31st December 2005			
Cost	29,750	29,659	59,409
Accumulated amortisation and impairment	(5,410)	(7,415)	(12,825)
Net book amount	24,340	22,244	46,584
Year ended 31st December 2006			
Opening net book amount	24,340	22,244	46,584
Amortisation	–	(9,895)	(9,895)
Closing net book amount	24,340	12,349	36,689
At 31st December 2006			
Cost	29,750	29,659	59,409
Accumulated amortisation and impairment	(5,410)	(17,310)	(22,720)
Net book amount	24,340	12,349	36,689

The goodwill is allocated to the Group's cash-generating units identified according to country of operation and business segment. The carrying amount solely relates to the Group's internet education services business segment in Hong Kong.

The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions and estimates involved for the preparation of cash flow projections and value-in-use calculations which reflect the risk involved include the expected 5-year average growth in revenues of 17%, long term growth rates of 5% and discount rates of approximately 12%. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Discount rates used have reflected the specific risk of the business.

Notes to the Financial Statements (continued)

19. Investments in subsidiaries

	Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	108,501	108,501

Details of principal subsidiaries are set out in note 37 to the financial statements.

20. Amounts due from/to subsidiaries

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment.

21. Interests in jointly controlled entities

	Group	
	2006 HK$'000	2005 HK$'000
Share of net assets	11,716	14,700
Unlisted shares, at costs	3,812	3,812

Details of principal jointly controlled entities are set out in note 37 to the financial statements.

Notes to the Financial Statements (continued)

21. Interests in jointly controlled entities (continued)

The aggregate amounts of assets and liabilities, and income and expenses of the Group's interests in jointly controlled entities are as follows:

	2006 HK$'000	2005 HK$'000
Assets		
Non-current assets	576	1,143
Current assets	24,255	18,765
	24,831	19,908
Liabilities		
Long-term liabilities	274	471
Current liabilities	12,841	4,737
	13,115	5,208
Net assets	11,716	14,700
Income	23,512	19,152
Expenses	(15,523)	(13,284)
Profit after income tax	7,989	5,868

There are no significant contingent liabilities and capital commitments relating to the Group's interests in the jointly controlled entities, and no significant contingent liabilities and capital commitments of the venture itself.

Notes to the Financial Statements (continued)

22. Available-for-sale financial assets

	Group and Company	
	2006 HK$'000	2005 HK$'000
Equity securities listed in Hong Kong		
Opening net book amount	34,286	58,023
Change in fair value transferred to equity	15,297	(23,737)
Closing net book amount	49,583	34,286
Market value of listed equity securities	49,583	34,286

23. Held-to-maturity investments

	Group and Company	
	2006 HK$'000	2005 HK$'000
Debt securities listed in Hong Kong		
At amortised cost	11,044	11,038
At market value	10,663	10,718

Notes to the Financial Statements (continued)

24. Trade receivable

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 aging analysis of the Group's trade receivable was set out as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Not yet due	762,661	742,547
Within 30 days	32,588	24,237
31-60 days	22,318	11,678
61-90 days	14,366	11,540
Over 90 days	28,550	26,184
	860,483	816,186

The carrying amounts of the Group's trade receivable are denominated in the following currencies:

	2006 HK$'000	2005 HK$'000
HK dollar	813,884	787,055
Renminbi	46,599	29,131
	860,483	816,186

25. Financial assets at fair value through profit or loss

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Non-current				
Equity-linked and callable range financial instruments	31,804	22,359	–	–
Current				
Equity securities listed in Hong Kong, at market value	19,984	17,294	6	8
	51,788	39,653	6	8

Notes to the Financial Statements (continued)

25. Financial assets at fair value through profit or loss (continued)

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

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
HK dollar	23,984	39,653	6	8
US dollar	27,804	–	–	–
	51,788	39,653	6	8

26. Cash and bank balances

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Unrestricted				
Cash at bank and in hand	196,714	93,240	114	113
Short-term bank deposits	323,110	283,462	–	–
	519,824	376,702	114	113
Restricted cash and bank balances	10,000	–	–	–
	529,824	376,702	114	113

The effective interest rate on short-term bank deposits was 3.81% (2005: 3.89%); these deposits have an average maturity of 15.3 days (2005: 20.3 days).

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
HK dollar	445,865	321,508	114	113
Renminbi	74,244	48,495	–	–
US dollar	8,824	–		
Macau Pataca	891	1,937	–	–
Australian dollar	–	4,762	–	–
	529,824	376,702	114	113

Notes to the Financial Statements (continued)

27. Trade payable

The trade payable represents principally the commissions payable to property consultants and cooperative estate agents, and are due for payment only upon the receipt of corresponding agency fees from customers. The trade payable included HK$45,599,990 (2005: HK$48,814,407) commissions payable which were due for payment within 30 days, with all the remaining trade payable not yet due.

The carrying amounts of the Group's trade payable are denominated in the following currencies:

	2006 HK$'000	2005 HK$'000
HK dollar	359,106	356,566
Renminbi	27,590	16,655
Macau Pataca	7,264	4,034
	393,960	377,255

28. Share capital and share premium

	Number of Shares	Share capital HK$'000	Share premium HK$'000	Total HK$'000
At 31st January 2005	704,390,000	70,439	131,700	202,139
Issue of shares	38,439,425	3,844	183,356	187,200
New share issue expenses	–	–	(4,054)	(4,054)
Cancellation of repurchased shares	(8,166,000)	(817)	(29,790)	(30,607)
At 31st December 2005	734,663,425	73,466	281,212	354,678
Cancellation of repurchased shares (note b)	(2,212,000)	(221)	(8,150)	(8,371)
At 31st December 2006	732,451,425	73,245	273,062	346,307

Notes to the Financial Statements (continued)

28. Share capital and share premium (continued)

(a) The authorised share capital comprises 1,000 million shares (2005: 1,000 million shares) with a par value of HK$0.10 per share (2005: HK$0.10 per share). All issued shares are fully paid.

(b) During the year, the Company repurchased and cancelled 2,212,000 of its own shares on the Stock Exchange at an aggregated consideration of HK$8,372,000.

(c) Share option of the Company

At the special general meeting of the Company held on 30th April 2002, an ordinary resolution was passed under which a share option scheme (the "Share Option Scheme") was adopted and approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the Board of Directors may, at their discretion, grant to any eligible persons including Directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company's share at the subscription price not less than the highest of (i) closing price of the shares as stated in daily quotations sheet of the Stock Exchange 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 business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. Upon acceptance of the offer, the grantee shall pay HK$1 to the Company as consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not exceed 42,895,583 shares, representing 5.86% of the shares in issue as at 12th March 2007.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period, in relation to relevant option, to be notified by the Directors to the grantee, such period not earlier than the commencement date and not more than ten years from the commencement date.

The Share Option Scheme will remain in force for a period of ten years commencing from 30th April 2002.

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

	2006		2005	
	Average exercise price per share HK$	Number of options	Average exercise price per share HK$	Number of options
At beginning of the year	3.520	3,673,317	–	–
Granted	–	–	3.520	3,673,317
Lapsed	3.520	(3,673,317)	–	–
At end of the year		–		3,673,317

Notes to the Financial Statements (continued)

28. Share capital and share premium (continued)

(c) Share option of the Company (continued)

The fair value of the options granted during 2005 determined using the Black-Scholes valuation model is HK$2,471,555. The valuation was carried out on a market value basis. The significant inputs into the model were share price of HK$3.425 at the grant date, exercise price of HK$3.520, dividend yield of 4% (based on yearly dividend paid in 2003 and 2004 and interim dividend paid in 2005), the options will be expected early exercised on the commencement date of the exercisable period (the day after the end of the respective vesting period) and risk free rates of the above options were 3.680%, 3.900%, 4.000% and 4.105% respectively (the rates represented the yields to maturity of respective Hong Kong Exchange Fund Note as at 6th December 2005). The volatility of the options is 51.434%.

(d) Share option of EVI Education Asia Limited ("EVI")

On 6th June 2005, EVI, a 51.8% owned subsidiary, adopted a new share option scheme (the "EVI Scheme") pursuant to an ordinary resolution. Pursuant to the EVI Scheme, EVI may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of EVI and its subsidiaries (the "EVI Group"), or any other eligible persons, who, as determined by the directors of EVI, have contributed or will contribute to the growth and development of the EVI Group to subscribe for shares of EVI, subject to a maximum of 10% of the nominal value of the issued share capital of EVI from 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 EVI, and will not be less than the higher of: (a) the nominal value of the EVI shares; (b) the average of the closing price of the shares of EVI quoted on the Growth Enterprise Market ("GEM") of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (c) 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 the GEM Listing Rules of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). The EVI Scheme will remain in force for a period of 10 years commencing from 6th June 2005.

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

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

Notes to the Financial Statements (continued)

28. Share capital and share premium (continued)

(d) Share option of EVI (continued)

The EVI share options have the following exercisable periods and exercises prices:

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

The fair value of the EVI options granted during the year determined using the Black-Scholes valuation model is approximately HK$1,652,000. The valuation was carried out on a market value basis. The significant inputs into the model were share price of HK$0.06 at the grant date, exercise price of HK$0.06, dividend yield of 0%. The expected exercise date and the risk free rates of the options were as follows:

Expected exercise date	Number of options to be exercised	Risk free rate
1st April 2007	13,833,333	3.60%
1st June 2007	13,833,333	3.62%
1st April 2008	13,833,333	3.71%
1st June 2008	13,833,333	3.72%
16th March 2009	13,833,334	3.77%
16th May 2009	13,833,334	3.79%

The risk free rates above represented the yields to maturity of respective Hong Kong Exchange Fund Note as at 16th January 2006. The volatility of the options is 52%.

Notes to the Financial Statements (continued)

29. Other reserves

	Group						
	Capital redemption HK$'000	Capital reserve HK$'000	Employee benefits reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2005	2,078	(36,995)	–	(171)	4,761	645,224	614,897
Change in fair value of available-for-sale financial assets	–	–	–	–	(23,737)	–	(23,737)
Impairment on available-for-sale financial assets	–	–	–	–	5,789	–	5,789
Currency translation differences	–	–	–	1,573	–	–	1,573
Re-purchase of own shares	817	–	–	–	–	(817)	–
Employee share-based benefits	–	–	163	–	–	–	163
Profit for the year	–	–	–	–	–	213,626	213,626
2004 final dividend paid	–	–	–	–	–	(91,368)	(91,368)
2005 interim dividend paid	–	–	–	–	–	(74,283)	(74,283)
At 31st December 2005	2,895	(36,995)	163	1,402	(13,187)	692,382	646,660
Representing:							
Reserves	2,895	(36,995)	163	1,402	(13,187)	680,627	634,905
2005 final dividend proposed (note 13)	–	–	–	–	–	11,755	11,755
At 31st December 2005	2,895	(36,995)	163	1,402	(13,187)	692,382	646,660

Notes to the Financial Statements (continued)

29. Other reserves (continued)

	Group						
	Capital redemption HK$'000	Capital reserve HK$'000	Employee benefits reserve HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2006	2,895	(36,995)	163	1,402	(13,187)	692,382	646,660
Change in fair value of available-for-sale financial assets	–	–	–	–	15,297	–	15,297
Currency translation differences	–	–	–	954	–	–	954
Re-purchase of own shares	221	–	–	–	–	(221)	–
Transfer	–	–	(401)	–	–	401	–
Employee share-based benefits	–	–	1,890	–	–	–	1,890
Profit for the year	–	–	–	–	–	149,940	149,940
2005 final dividend paid	–	–	–	–	–	(11,755)	(11,755)
2006 interim dividend paid	–	–	–	–	–	(20,571)	(20,571)
At 31st December 2006	3,116	(36,995)	1,652	2,356	2,110	810,176	782,415
Representing:							
Reserves	3,116	(36,995)	1,652	2,356	2,110	757,439	729,678
2006 final dividend proposed (note 13)	–	–	–	–	–	52,737	52,737
At 31st December 2006	3,116	(36,995)	1,652	2,356	2,110	810,176	782,415

Notes to the Financial Statements (continued)

29. Other reserves (continued)

	Company					
	Capital redemption HK$'000	Employee benefits reserve HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2005	2,078	–	108,001	4,761	138,964	253,804
Change in fair value of available-for-sale financial assets	–	–	–	(23,737)	–	(23,737)
Impairment on available-for-sale financial assets	–	–	–	5,789	–	5,789
Re-purchase of own shares	817	–	–	–	(817)	–
Employee share-based benefits	–	163	–	–	–	163
Profit for the year	–	–	–	–	356,744	356,744
2004 final dividend paid	–	–	–	–	(91,368)	(91,368)
2005 interim dividend paid	–	–	–	–	(74,283)	(74,283)
At 31st December 2005	2,895	163	108,001	(13,187)	329,240	427,112
Representing:						
Reserves	2,895	163	108,001	(13,187)	317,485	415,357
2005 final dividend proposed (note 13)	–	–	–	–	11,755	11,755
At 31st December 2005	2,895	163	108,001	(13,187)	329,240	427,112

Notes to the Financial Statements (continued)

29. Other reserves (continued)

	Company					
	Capital redemption HK$'000	Employee benefits reserve HK$'000	Contributed surplus HK$'000	Revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2006	2,895	163	108,001	(13,187)	329,240	427,112
Change in fair value of available-for-sale financial assets	–	–	–	15,297	–	15,297
Re-purchase of own shares	221	–	–	–	(221)	–
Transfer	–	(401)	–	–	401	–
Employee share-based benefits	–	238	–	–	–	238
Profit for the year	–	–	–	–	361	361
2005 final dividend paid	–	–	–	–	(11,755)	(11,755)
2006 interim dividend paid	–	–	–	–	(20,571)	(20,571)
At 31st December 2006	3,116	–	108,001	2,110	297,455	410,682
Representing:						
Reserves	3,116	–	108,001	2,110	244,718	357,945
2006 final dividend proposed (note 13)	–	–	–	–	52,737	52,737
At 31st December 2006	3,116	–	108,001	2,110	297,455	410,682

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of net assets of underlying subsidiaries acquired as at 12th May 1995. The contributed surplus is distributable to the equity holders. In the Group's financial statements, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

Notes to the Financial Statements (continued)

30. Borrowings

	Group	
	2006 HK$'000	2005 HK$'000
Non-current		
Secured bank loans	10,665	48,508
Current		
Bank overdrafts	–	11,312
Secured bank loans	1,778	20,848
	1,778	32,160
Total borrowings	12,443	80,668

The bank loans are secured by certain buildings (note 15), investment properties (note 16) and leasehold land and land use rights (note 17) held by the Group.

As at 31 December 2006, the Group's borrowings were repayable as follows:

	Group			
	Bank overdrafts		Secured bank loans	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Within 1 year	–	11,312	1,778	20,848
Between 1 and 2 years	–	–	1,778	7,001
Between 2 and 5 years	–	–	5,336	21,002
Wholly repayable within 5 years	–	11,312	8,892	48,851
Over 5 years	–	–	3,551	20,505
	–	11,312	12,443	69,356

Notes to the Financial Statements (continued)

30. Borrowings (continued)

The effective interest rates at the balance sheet date were as follows:

	2006	2005
Bank overdrafts	N/A	7.75%
Secured bank loans	4.86%	4.98%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Secured bank loans	10,665	48,508	10,171	46,525

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.74% (2005: 4.94%).

The Group has the following undrawn borrowing facilities:

	2006 HK$'000	2005 HK$'000
Floating rate		
– expiring within one year	197,896	141,685

31. Deferred tax liabilities/(assets)

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
At beginning of the year	(18,912)	(8,006)	(438)	–
Recognised in the income statement (note 10)	1,228	(10,906)	88	(438)
At end of the year	(17,684)	(18,912)	(350)	(438)

Notes to the Financial Statements (continued)

31. Deferred tax liabilities/(assets) (continued)

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

Deferred tax liabilities:

	Group		
	Accelerated depreciation HK$'000	Fair values HK$'000	Total HK$'000
At 1st January 2005	2,413	35	2,448
Recognised in the income statement	1,270	1,938	3,208
At 31st December 2005	3,683	1,973	5,656
Recognised in the income statement	(1,994)	(1,970)	(3,964)
At 31st December 2006	1,689	3	1,692

Deferred tax assets:

	Group				Company
	Provision HK$'000	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Total HK$'000	Provision HK$'000
At 1st January 2005	(4,200)	(5,771)	(483)	(10,454)	–
Recognised in the income statement	(2,865)	1,904	(13,153)	(14,114)	(438)
At 31st December 2005	(7,065)	(3,867)	(13,636)	(24,568)	(438)
Recognised in the income statement	2,384	(521)	3,329	5,192	88
At 31st December 2006	(4,681)	(4,388)	(10,307)	(19,376)	(350)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of HK$28,766,000 (2005: HK$22,634,000) in respect of losses amounting to HK$151,497,000 (2005: HK$121,691,000) that can be carried forward against future taxable income. Losses amounting to HK$61,172,000 (2005: HK$53,253,000) will be expired from 2007 to 2011 (2005: from 2006 to 2010).

Notes to the Financial Statements (continued)

31. Deferred tax liabilities/(assets) (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Deferred tax assets				
– to be recovered after more than 12 months	(15,711)	(11,305)	(350)	–
– to be recovered within 12 months	(2,723)	(9,599)	–	(438)
	(18,434)	(20,904)	(350)	(438)
Deferred tax liabilities				
– to be settled after more than 12 months	519	390	–	–
– to be settled within 12 months	231	1,602	–	–
	750	1,992	–	–

Notes to the Financial Statements (continued)

32. Consolidated cash flow statement

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

	2006 HK$'000	2005 HK$'000
Operating profit	173,136	240,272
Depreciation and amortisation costs	63,863	59,828
Realised and unrealised gains on financial assets at fair value through profit or loss	(15,930)	(193)
Impairment loss on available-for-sale financial assets	–	5,789
Loss on disposal of leasehold land, property, plant and equipment	4,996	1,013
Loss on disposal of investment properties	518	–
Fair value gains on investment properties	(6,913)	(10,843)
Impairment of goodwill	–	5,410
Gain on disposal of interest in a jointly controlled entity	(58)	–
Gain on disposal of a subsidiary	(381)	–
Share option expenses	1,890	–
Bank interest income	(13,661)	(9,526)
Dividend income from listed investments	(3,109)	(2,071)
Operating profit before working capital changes	204,351	289,679
Increase in accounts receivable, other receivables, prepayments and deposits	(46,631)	(230,350)
Increase in accounts payable, other payables and accrued charges	37,485	124,840
Net cash generated from operations	195,205	184,169

Notes to the Financial Statements (continued)

32. Consolidated cash flow statement (continued)

(b) Acquisition of a subsidiary

	2005 HK$'000
Net assets acquired at fair value	
Property, plant and equipment	1,451
Intangible assets	32,126
Accounts receivable	3,472
Other receivables, prepayments and deposits	1,954
Cash and cash equivalents	124,346
Accounts and other payables	(6,649)
Minority interests	(76,483)
	80,217
Goodwill	27,283
Cash consideration	107,500
Cash and cash equivalent acquired	(124,346)
Net cash acquired from acquisition of subsidiaries	(16,846)

Notes to the Financial Statements (continued)

32. Consolidated cash flow statement (continued)

(c) Disposal of a subsidiary

	2006 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	191
Trade receivables	109
Other receivables, prepayments and deposit	187
Cash and bank balances	218
Accounts and other payables	(1,067)
Deposits from customers	(436)
Minority interest	320
Disposal of loan due from a subsidiary	263
Total consideration	(215)
Gain on disposal of a subsidiary	381
Cash consideration	166
Cash and bank equivalent disposed	(218)
Net cash outflow from disposed of a subsidiary	(52)

(d) Analysis of cash and cash equivalents

	2006 HK$'000	2005 HK$'000
Cash and bank balances	529,824	376,702
Bank overdrafts	–	(11,312)
	529,824	365,390

Notes to the Financial Statements (continued)

33. Guarantees

The Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of HK$334,800,000 (2005: HK$361,800,000). In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

34 Future lease rental payment receivable

The Group had future minimum lease rental payments receivable under non-cancellable operating leases as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	949	2,482
Later than one year and not later than five years	160	879
	1,109	3,361

35. Commitments

Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	5,200	–

Notes to the Financial Statements (continued)

35. Commitments (continued)

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	
	2006 HK$'000	2005 HK$'000
Not later than one year	179,386	210,738
Later than one year and not later than five years	93,316	126,698
More than five years	642	–
	273,344	337,436

The Company did not have any other significant commitments (2005: Nil).

36. Related party transactions

The Group had the following material transactions with related parties during the year and balances with related parties at year end:

	Note	Group 2006 HK$'000	Group 2005 HK$'000
(a) Transactions with related parties			
Agency fee income from related companies	(i)	1,034	250
Advertising service income from a jointly controlled entity	(ii)	216	216
Commission expenses to jointly controlled entities	(iii)	20	130
Operating lease rental expense in respect of office and shop premises to related companies	(iv)	5,430	3,090
(b) Key management compensation			
Salaries and commission, discretionary bonuses and other benefits	(v)	40,561	54,950
(c) Loan to a related party			
Loan advanced to a jointly controlled entity			
Advance during the year	(vi)	–	396
Balance receivable	(vi)	198	396

Notes to the Financial Statements (continued)

36. Related party transactions (continued)

(i) The amount represents agency fee revenue from certain related companies, in which, a Director has beneficial interests of these companies.

(ii) The amount represents marketing services provided to a jointly controlled entity.

(iii) Commission paid to jointly controlled entities represents commission paid for property brokerage transactions referred by jointly controlled entities.

(iv) Operating lease rentals paid to certain related companies, in which, a Director has beneficial interests of these companies.

(v) The amount represents emolument paid or payable to Executive Directors for the year.

(vi) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

37. Principal subsidiaries and jointly controlled entities

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/paid-up capital	Interest held %
Subsidiaries				
Astra Profits Limited (notes a and b)	British Virgin Islands	Investment holding in Hong Kong	4 Ordinary shares of US$1 each	100
Diamond Century Limited	Hong Kong	Investment holding in Hong Kong	1 Ordinary share of HK$1	100
EVI Education Asia Limited (listed in Hong Kong) (notes b)	Cayman Islands	Internet education services provider in Hong Kong	8,300,000,000 Ordinary shares of HK$0.01 each	51.81
Guangzhou Midland Property Agency Company Limited (note b)	PRC (as a wholly foreign-owned enterprise)	Property agent in the PRC	US$1,830,000	100
Hong Kong Property Services (Agency) Limited	Hong Kong	Property agent in Hong Kong	2 Ordinary shares of HK$1 each	100

Notes to the Financial Statements (continued)

37. Principal subsidiaries and jointly controlled entities (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/paid-up capital	Interest held %
Subsidiaries (continued)				
Hong Kong Property Services (China) Limited	Hong Kong	Investment holding in PRC	1 Ordinary share of HK$1	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	Property agent in Hong Kong	2 Ordinary shares of HK$1 each	100
Midland CyberNet Limited	Hong Kong	An operator of an internet website in Hong Kong	39,100,000 Ordinary shares of HK$1 each	100
Midland HKP Services (Administration) Limited	Hong Kong	Administration and management in Hong Kong	2 Ordinary shares of HK$1 each	100
Midland Immigration Consultancy Limited	Hong Kong	Immigration Services in Hong Kong	500,000 Ordinary shares of HK$1 each	100
Midland Realty (Comm.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK$1 each	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK$1 each	100
Midland Realty (Macau) Limited (note b)	Macau	Property agent in Macau	MOP$25,000	100
Midland Realty (Shops) Limited	Hong Kong	Property agent in Hong Kong	500,000 Ordinary shares of HK$1 each	100
Midland Realty (Strategic) Limited	Hong Kong	Investment holding in Hong Kong	10,000 Ordinary shares of HK$1 each 2,000,000 Non-voting deferred shares of HK$1 each	100

Notes to the Financial Statements (continued)

37. Principal subsidiaries and jointly controlled entities (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/paid-up capital	Interest held %
Subsidiaries (continued)				
Midland Realty Consultancy (Shanghai) Company Limited (note b)	PRC (as a wholly foreign-owned enterprise)	Property agent in the PRC	US$3,050,000	100
Midland Realty International Limited	Hong Kong	Property agent in Hong Kong	1,000 Ordinary shares of HK$100 each	100
Midland Surveyors Limited	Hong Kong	Property valuer in Hong Kong	1,000,000 Ordinary shares of HK$1 each	100
Real Gain Limited	Hong Kong	Property investment in Hong Kong	10,000 Ordinary shares of HK$1 each	100
Teston Profits Limited	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US$1	100
Worldboss Limited	Hong Kong	Property investment in Hong Kong	2 Ordinary shares of HK$1 each	100
美聯物業代理（深圳）有限公司 (note b)	PRC (as a wholly foreign-owned enterprise)	Property agent in the PRC	US$2,200,000	100

Notes to the Financial Statements (continued)

37. Principal subsidiaries and jointly controlled entities (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operation	Percentage of interest in ownership/voting power/profit sharing
Jointly controlled entities			
mReferral Corporation Limited (note b)	British Virgin Islands	Investment holding in Hong Kong	33.33%/33.33%/33.33%
Vision Year Investments Limited (note b)	British Virgin Islands	Investment holding in Hong Kong	10%/33.33%/10%

Notes:

(a) This subsidiary is directly held by the Company.

(b) These subsidiaries and jointly controlled entities are not audited by PricewaterhouseCoopers, Hong Kong.