

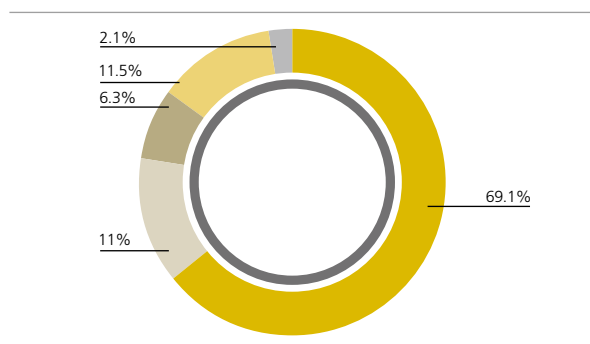
飛躍35載 邁向新里程
Leap to a new milestone



Financial Highlights 財務摘要

TURNOVER DISTRIBUTION

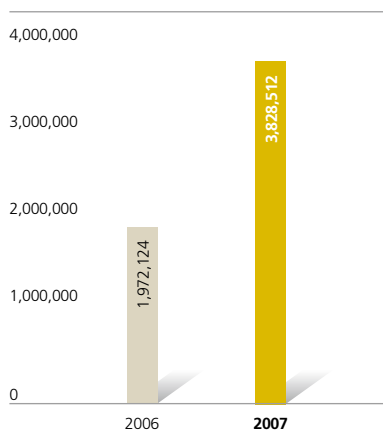
營業額分佈



■ Midland - Local Residential 美聯-本地住宅
 ■ Hong Kong Property 香港置業
■ Midland - Local IC&I 美聯-本地工商舖
 ■ Midland - Macau 美聯-澳門
■ Midland - China 美聯-中國

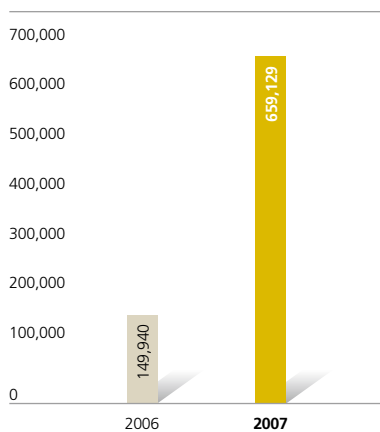
AGENCY FEE 代理收益

HK\$'000 港幣千元



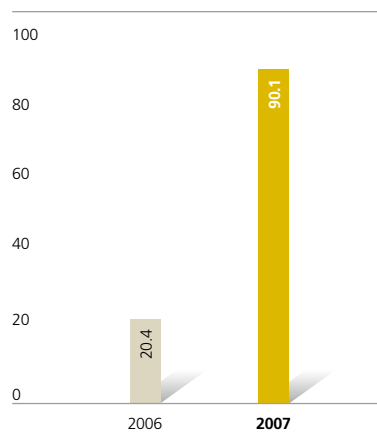
PROFIT ATTRIBUTABLE TO SHAREHOLDERS 股東應佔溢利

HK\$'000 港幣千元



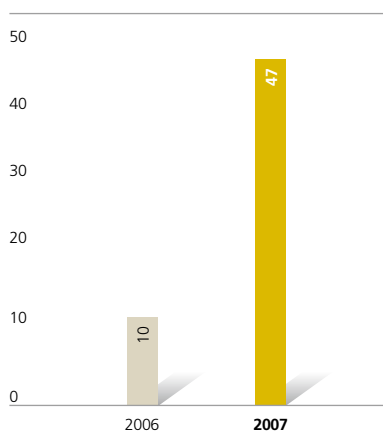
EARNINGS PER SHARE 每股盈利

HK cents 港仙



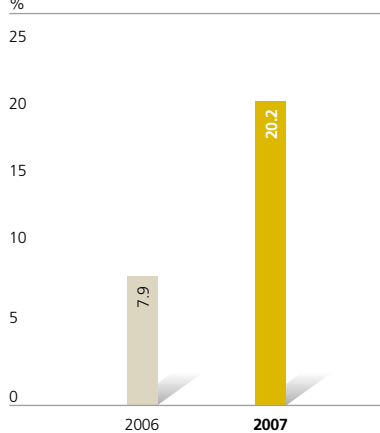
DIVIDEND 股息

HK cents (per share) 港仙 (每股)



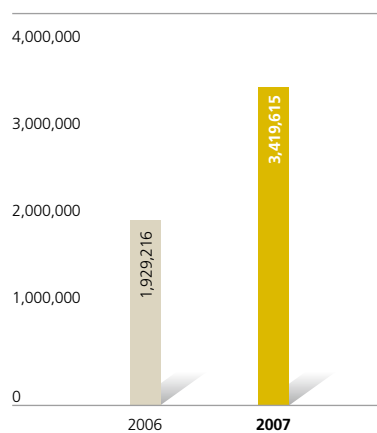
OPERATING PROFIT MARGIN 經營溢利率

%



TOTAL ASSETS 總資產

HK\$'000 港幣千元



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Corporate Information

DIRECTORS

Executive Directors

Mr WONG Kin Yip, Freddie
(Chairman and Managing Director)
Ms TANG Mei Lai, Metty
(Deputy Chairman)
Mr CHAN Kwan Hing, Vincent
(Chief Executive Officer)
Ms LAM Fung Fong, Iris
Mr KWOK Ying Lung, Raymond

Independent Non-executive Directors

Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu, Raymond
Mr WANG Ching Miao, Wilson

AUDIT COMMITTEE

Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu, Raymond
Mr WANG Ching Miao, Wilson

REMUNERATION COMMITTEE

Mr WONG Kin Yip, Freddie
Ms LAM Fung Fong, Iris
Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu, Raymond
Mr WANG Ching Miao, Wilson

NOMINATION COMMITTEE

Mr WONG Kin Yip, Freddie
Ms LAM Fung Fong, Iris
Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu, Raymond
Mr WANG Ching Miao, Wilson

COMPANY SECRETARY

Ms LAM Fung Fong, Iris

QUALIFIED ACCOUNTANT

Ms KAM Man Yi, Margaret

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-wide House
19 Des Voeux Road Central
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

BERMUDA LEGAL ADVISERS

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

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
14 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

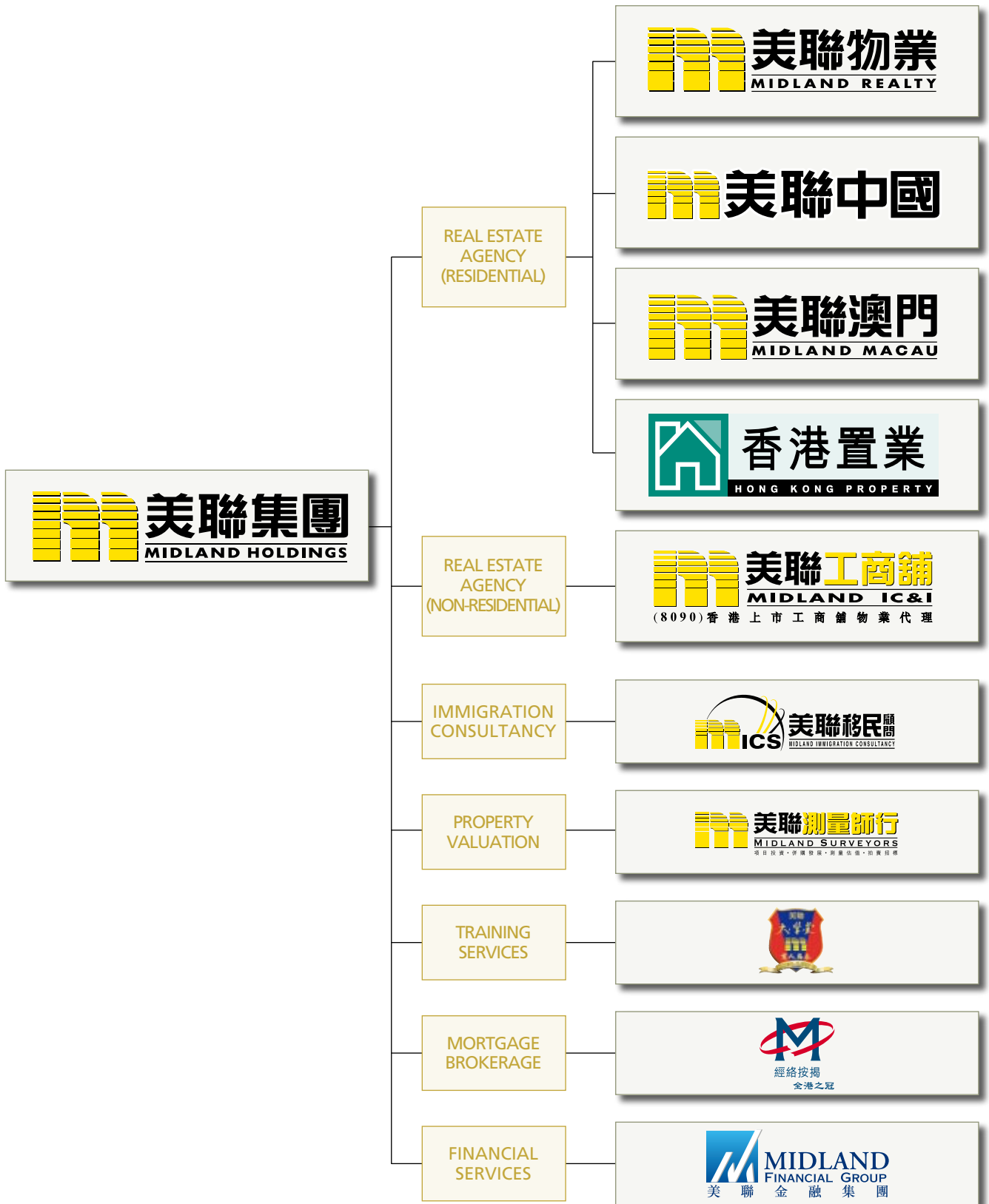
WEBSITE

www.midland.com.hk

STOCK CODE

1200

Organisation Chart



Appendix to Organisation Chart



Board of Directors

Back row from left to right: Iris LAM, Wilson WANG, Louis KOO, Vincent CHAN, Raymond SUN, Raymond KWOK
 Front row from left to right: Metty WONG, Freddie WONG

SBU's	BUSINESS DESCRIPTION	RESPONSIBLE PERSONS
 Midland Realty	Provision of residential property brokerage services in Hong Kong Gary YEUNG, Director (Hong Kong) Jeffrey NG, Chief Executive Officer (Residential) Sammy PO, Director (New Territories) Andy HO, Director (Kowloon)	
 Midland IC&I	Provision of non-residential property brokerage services in respect of industrial and commercial (office and shop) properties in Hong Kong Alvan CHAN, Sales Director (Industrial & Commercial) Tony LO, Sales Director (Shop) Pierre WONG, Executive Director and Chief Executive Officer, LLB Daniel WONG, Sales Director (Commercial) Ben POON, Sales Director (Hong Kong Property (Industrial, Commercial and Shop))	
 Midland China	Provision of project planning, commercial property management, marketing and sales planning and property brokerage services in PRC Dennis CHEUNG, Chief Financial Officer (China) CPA, CPA (Aust), Mcom Raymond KWOK, Chief Executive Officer	
 Midland Macau	Provision of property brokerage, surveying, project planning, leasing and property management services in Macau Ronald CHEUNG, Chief Executive Officer, RICS, HKIS Jimmy YEUNG, Chief Operation Officer	
 Hong Kong Property	Provision of residential property brokerage services in Hong Kong and residential and commercial properties brokerage services in the PRC Richard LEE, Executive Director Fredy WU, Chief Executive Officer	



SBU's CEO (from left to right)

Patrick CHU, Ronald CHEUNG, Jeffrey NG, Pierre WONG, Vincent CHAN, Raymond KWOK, Fredy WU, Thomas KUT, YOUNG Kwok Sui

SBUs	BUSINESS DESCRIPTION	RESPONSIBLE PERSONS
 <p>Midland Immigration Consultancy</p>	<p>Provision of immigration consultancy services in Hong Kong and Macau</p> <p>Venetia CHAN, Manager Thomas KUT, Chief Executive Officer</p>	
 <p>Midland Surveyors</p>	<p>Provision of professional surveying consultancy services including valuation advisory, project and development consultancy, sales and marketing, tender and auction</p> <p>Alvin LAM, Director, MHKIS, MRICS, RPS (GP)</p>	
 <p>Midland University</p>	<p>Group's training centre with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite people for the industry</p> <p>Ivan IP, Director Kitty IP, Chief Executive Officer</p>	
 <p>mReferral Mortgage Brokerage Services</p>	<p>A joint venture with a major developer and an international bank, offering free mortgage referral services as well as provision of related information</p> <p>Kostka CHEUNG, Chief Vice President (Account Servicing) YOUNG Kwok Sui, Chief Executive Officer</p>	
 <p>Midland Financial Group</p>	<p>An affiliate of the Company, providing one-stop independent financial planning consultancy services with various wealth management products</p> <p>Patrick CHU, Deputy Chairman, MBA Sidney SZE, Chief Executive Officer, Ph.D., CFP, CPA</p>	

Major Events and Awards for the Year

January 2007

Talk organised by the Industry and Commerce Committee of District Board

The Group joined the talk organised by District Board and shared with the public our view on the trend of the property market.



February 2007

Property Guide 2007

To celebrate the 10th Anniversary of the Hong Kong's Return to China, we published the "Property Guide 2007", the first of its kind in Hong Kong, to give a perspective account for the major changes of local property market during the last 10 years.



June 2007

Outstanding Entrepreneurial Management Award

The Group was awarded the "Outstanding Entrepreneurial Management Award" in recognition of its remarkable performance in business development over the past year. Its experience has set an example to the others.



February 2007

"Caring Company"

The Group was accredited the "2006/2007 Caring Company" by the Hong Kong Council of Social Service for the fourth consecutive year.



June 2007

Listing of Industrial and Commercial Property Business

The Group injected the industrial and commercial property agency business into its listed subsidiary (stock code: 8090) which was formally renamed as "Midland IC&I Limited", becoming the first listed real estate agent to focus on industrial and commercial property agency business.



July 2007

Participated in the Canadian Chamber of Commerce Seminar

We participated in the seminar to promote the property market of Hong Kong and to enhance understanding by people around the world towards Hong Kong's property market.



September 2007

Co-organised Property Analysis Forum with JP Morgan Chase

The Group has joined hand with JP Morgan Chase to organise forums over the past few years, sharing our professional view on the property market trend and development with the media and public.



October 2007

MBA Seminar by the International Professional Management Research Centre of the University of Wales, UK

The Group participated in the property seminar organised by overseas college and Mr WONG Kin Yip, Freddie, the Group's chairman, spoke at the seminar.



October 2007

184 Branches Achieved Results of A Million or above

184 branches achieved new record of monthly sales of one million or above in October.



September 2007

Greater-China Investment Hong-Macau Conference

At the "Insight on the Greater-China Investment in Hong Kong and Macau Conference" organised by Midland China, the management and sales team shared their view on the development of residential, industrial and commercial properties in Hong Kong with local investors and the public in Shenzhen.



October 2007

Play Host to Overseas Academic Institute

The students from the Laws Department of the Chuo University, a renowned college in Japan, met with the Group's management for the second consecutive year to have a good grasp of the latest trend of Hong Kong's property market.



November 2007

Consumers Choice 2007

The Group was accredited with the international award, demonstrating that the Group's corporate governance and integrity services were well recognised by consumers.



Major Events and Awards for the Year

December 2007

Pro Choice Award 2007

The Group was awarded the “Pro Choice Award 2007”. The winners were nominated by users, professionals and peers in the industry and selected by the public and professional judging panel based on four criteria – the brand’s professional service, product creativity, market strategy’s recognition and corporate culture.



December 2007

Co-organized large seminar with Bloomberg

The Group’s management and other guests analysed the property trend from different points of view so as to increase the public’s knowledge on property market.



January 2008

High-Flyers 2007

The Group was named the “High-Flyers 2007” by Hong Kong’s recognised business magazine “Hong Kong Business”, becoming the only property agent awarded with this award.



December 2007

Living Up

The Group sponsored a new series of TVB’s high definition broadcasting programme “Living Up” once again.



January 2008

Hong Kong Awards for Industries: Productivity and Quality Certificate of Merit

The Group became the first real estate agent being awarded the “Hong Kong Awards for Industries: Productivity and Quality Certificate of Merit” organised by the Hong Kong Productivity Council.

The Group was awarded the “Asia’s MIS 100 IT Application Award” for the third consecutive year.



January 2008

Caring the Society

The Group was accredited the "2007-08 Caring Company" by the Hong Kong Council of Social Service once again, and was awarded the "Logo Award" for five consecutive years.



January 2008

Heart to Heart

The Group was awarded the "Heart to Heart Company" by the Hong Kong Federation of Youth Groups for three consecutive years.



January 2008

35th Anniversary of Midland Group

Midland Group celebrated its 35th anniversary in the year of 2008.



February 2008

Henderson Sales Gold Medal

The Group was awarded the "Sales Gold Medal" by Henderson Group, a renowned property developer, for four consecutive years.



Chairman's Statement



BUILD CREDIBILITY
ON INTEGRITY
DIFFERENTIATE
THROUGH
PROFESSIONALISM

BUSINESS REVIEW

During the year, profit for the year soared 366 per cent to a record high of HK\$672 million from 2006. With a knack to spot the market trend, the Group enhanced operating efficiency and raised the profit margin from 7.2 per cent to 17.4 per cent.

In 2007, Hong Kong's property transaction value is around HK\$525.6 billion. Although that was still 40 per cent short of the historic high of around HK\$868 billion of 1997, the Group is pleased to report that profit for the year surpassed the 1997 level by 197 per cent. This, we believe, was largely because we persevered with forward-looking management. Since our inception in 1973, the Group has experienced many peaks and troughs in the business environment. Not only have we managed to ride the crest of a wave each time to expand earnings, but we also learned to conserve during lean times to become more resilient. By 2007, we clearly had a larger market share than in 1997. That was the main factor behind our record high earnings.

Hong Kong property market has recovered from the bottom since the mid of 2003. Undoubtedly, the market had turned quiet from mid of 2005 to the end of 2006, but the housing sector picked up again in 2007. A vibrant domestic economy, continually reduced supply of properties and an influx of foreign capital were the forces driving up the property market last year. Hong Kong's prevailing negative interest rate environment proved a stimulant on consumption and investment and added to the property market's new momentum. All market segments did well. Transaction volume rose across the board, be it properties in the primary or secondary market, luxury homes or mass residential estates. Even properties in the New Territories, which on tradition lag behind urban areas, also recorded a marked increase in transactions. This is further evidence that Hong Kong's economy was expanding at all levels. Given the active market, according to Rating and Valuation Department, property prices in Hong Kong rose an average of about 20 per cent last year. Moreover, rental rates for small to medium-sized flats also rose about 20 per cent. The property market indeed was well supported by end-users. In our view, there is no sign of bubble.

Growth across the Board

We are especially pleased to report that during 2007, our subsidiaries' and affiliates' business lines enjoyed growth. Businesses on residential properties brokerage, commercial (office and shop) and industrial properties brokerage, immigration consultancy, referral mortgage brokerage, as well as wealth management broke record in earnings. We are convinced, therefore, that our efforts in placing professional talents in various fields have paid off.

China Market: Short Term Cautious Long Term Optimistic

Our mainland branch network took a step forward last year to go beyond Southern China. As of the middle of last year, more than half of our outlets were in Shenzhen. By the end of the year, our branches in that market was lowered to below 50 per cent of our mainland total. Even though the market headed south noticeably in the second half last year, we are optimistic about China's market in long term. With this in mind, we adopted discreet strategy on development, thus reinforcing our foundation for future growth.

OUTLOOK

The Group takes a highly optimistic view of the property market for 2008. Positive factors such as negative interest rate environment, declining property supply, rental growth, weak US dollars, strong upgrading demand, and a lower unemployment rate will continue to propel home sales market. Given that the savings ratio is high and the gearing ratio is low among Hong Kong people, a negative interest rate will stimulate desire to buy homes. We believe, therefore, that this year, the market is likely to do even better than last year.

Recognising the positive impact on property market of a negative interest rate environment, we took pains to explain it to the public as a market-entry opportunity last year, using various communication channels. This year, the Group has already allied with Bloomberg Financial Services again to conduct seminars for professional property investors from the city as well as overseas to offer news and views on the market.

Chairman's Statement**Upgraded Management to Embrace Business Opportunities**

As the Group developed and expanded, it was necessary to upgrade management from time to time. Over the past year, we made further investment in human resources, promoting a number of experienced and competent management staff.

But this year is not flushed with opportunities only; the market is also vulnerable to external risks, notably a possible whiplash from the subprime mortgage woes plaguing the United States. However, the interest rate cuts in the US will bring down the local cost of borrowing, a positive factor for the property market. We believe that our usual "flexible" approach in running the Group will allow us to handle changes and challenges in the marketplace.

On the other hand, with the property market expected to trend up further, even a prudent management tends to see an obvious increase in opportunities. We foresee getting considerable commission income from property sales in laggard districts as well as newly completed residential projects. Whether conditions are favourable or not, the Group will use prudence to assess market conditions and apply a flexible approach to embrace business opportunities.

Discrete Development on Mainland

In the foreseeable future, we shall continue with this strategy: Establish a foothold first in a core city, then extend our presence to the surrounding markets. Years of experience in Hong Kong tell us that an extremely flexible approach to operations is a real estate agency's sharpest competitive edge. The Group shall adjust the size of its mainland network according to market conditions and the extent of the state's cooling measures.

Hong Kong Roots Dating Back 35 Years

The Group is the chain property agency with the longest history in Hong Kong. Bolstered by 35 years of experience, the Group has been foremost to encourage reform within the real estate brokerage industry and to enhance professionalism on a continual basis. We are a leader in the field. In our 35th year, we shall play up our considerable history as a marketing theme. We shall continue to lead the real estate brokerage sector to a new milestone in professionalism, while reinforcing the goodwill our brand name wields to maintain our position as an industry leader. This year, the Group is committed to pour in resources in promoting the function of physical properties amid the negative real interest rates environment.

WONG Kin Yip, Freddie

Chairman and Managing Director

Hong Kong, 17th March 2008

Board of Directors and Management Executives

EXECUTIVE DIRECTORS

Mr WONG Kin Yip, Freddie, aged 58, is the Founder and Chairman of the Company. He established the Company in 1973 and is responsible for formulating the overall corporate directions and corporate strategies of the Group. Mr WONG has over 35 years of experience in the real estate brokerage business in overseas, China and Hong Kong. He has been the chairman of the Company since 1993. Mr WONG is a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference, PRC, an ordinary member of the Estate Agents Authority in Hong Kong, the vice president of The Association of Hong Kong Professionals, and also the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr WONG was a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from 2006 to 2007. Mr WONG is the chairman of the Company's Nomination Committee and a member of the Remuneration Committee. Besides, he is the director of Sunluck Services Limited and Southern Field Trading Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the spouse of Ms TANG Mei Lai, Metty, the Deputy Chairman and Executive Director of the Company.



Ms TANG Mei Lai, Metty, aged 52, is the Deputy Chairman and Executive Director of the Company. She is responsible for the overall corporate development as well as investment strategy and management of the Group. Ms TANG is actively involved in charity activities. She is currently the Honorary Member and the President of Midland Charitable Foundation Limited. Ms TANG joined the Group in 2004. She is the spouse of Mr WONG Kin Yip, Freddie, the Chairman and Executive Director of the Company.

Mr CHAN Kwan Hing, Vincent, aged 44, is the Chief Executive Officer and the Executive Director of the Company. He has more than 22 years of experience in the real estate agency business. Mr CHAN is responsible for the formulation of the overall business development of the Group and overall implementation of corporate strategy and policy in achieving the overall business objectives. Mr CHAN holds a bachelor of science (honors) degree in accounting and finance. Mr CHAN joined the Group in 1991.



Board of Directors and Management Executives

Ms LAM Fung Fong, Iris, aged 46, is the Executive Director of the Company. Ms LAM has over 22 years of experience in accounting and finance. She is a practicing member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She is responsible for overseeing the overall finance and accounting, information technology, legal, company secretarial and property administration functions of the Group. Ms LAM is currently the Honorary Member and the President of Midland Charitable Foundation Limited. She joined the Group in 1995. Ms LAM has also been appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.



Mr KWOK Ying Lung, Raymond, aged 44, is the Executive Director of the Company. He has more than 22 years of experience in the real estate agency business, particularly in the property agency business in the Mainland China and non-residential property agency business, including industrial, office and retail properties in Hong Kong. He is responsible for the strategic management, marketing management and sales force management of the China division "Midland China". Mr KWOK joined the Group in 1988 and is now also the Chief Executive Officer of the Midland China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr KOO Fook Sun, Louis, aged 51, has been an Independent Non-executive Director of the Company since September 2004. 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 five 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 two companies listed on the Growth Enterprise Market, namely Richfield Group Holdings Limited and Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary. Mr KOO graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr KOO has also been appointed as the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.



Mr SUN Tak Chiu, Raymond, aged 44, has been the Independent Non-executive Director of the Company since September 2004. Mr SUN has over 21 years of experience in the fields of accounting, securities industries and corporate finance. Mr SUN holds a bachelor's degree in laws and a master degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute. Mr SUN has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



Mr WANG Ching Miao, Wilson, aged 46, has been the Independent Non-executive Director of the Company since September 2004. Mr WANG has over 17 years of experience in the field of optical products manufacturing. Mr WANG is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing. Mr WANG has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

MANAGEMENT EXECUTIVES

Mr WONG Tsz Wa, Pierre, aged 44, is the Executive Director and the Chief Executive Officer of Midland IC&I. He is responsible for overseeing Midland IC&I's overall business strategy and development and implementation of overall corporate strategies and policy in achieving the overall business objectives. Mr WONG joined the Group in 1993. He holds a bachelor of law (honors) degree and has over 20 years' experience in non-residential property brokerage business in Hong Kong.



Ms IP Kit Yee, Kitty, aged 48, is the Managing Director (Corporate) of the Group and also the Executive Director and Managing Director of Midland IC&I. Ms IP is responsible for overall corporate affairs, management and administration function of the Group. In addition, she is in charge of all aspects of training of the Group and established Midland University which is a renowned training center in the field of real estate agency. She is also participating in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms IP has many years of experience in property administration and real estate brokerage and marketing.

Board of Directors and Management Executives

Ms WONG Ching Yi, Angela, aged 27, is the Senior Manager of the Group, the Executive Director of Midland IC&I, and also a Director of Midland Charitable Foundation Limited. Ms WONG assists in formulating and implementing the Group's overall corporate strategies in order to enhance the efficiencies and effectiveness of the Group and is responsible for corporate development and investment functions of the Group. She graduated from The University of Hong Kong with a bachelor degree in business administration (accounting & finance). Prior to joining the Group in 2005, she worked for an international accounting firm. Ms WONG is the daughter of Mr WONG Kin Yip, Freddie, the Company's Chairman and Ms TANG Mei Lai, Metty, the Company's Deputy Chairman.



Mr TSE Tsz Man, Gordon, aged 39, is the Director (Corporate Development) of the Group. With special focus on setting marketing strategies, he assists the Group in strategic and corporate planning. Being responsible for communicating with the investment community, he also leads the investor relations team. Mr TSE holds a bachelor's degree in business administration degree from Simon Fraser University, B.C., Canada, and a Master's degree in business administration from The University of Hong Kong. He joined the Group in 1996.

Ms KAM Man Yi, Margaret, aged 40, is the Qualified Accountant and Assistant Director (Finance) of the Group and is in charge of financial management and treasury operations. Ms KAM joined the Group in 1997. She holds a bachelor of commerce (accounting and economics) degree of the University of Melbourne, Australia and is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as a member of CPA, Australia. She also holds a master degree in business administration. Ms KAM has over 17 years of experience in the field of auditing and accounting.



Corporate Governance Report

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

COMMITMENT TO CORPORATE GOVERNANCE

The Board recognises the importance of a good and solid framework of corporate governance and procedures and has made continued efforts to incorporate key elements of corporate governance in our management structures and internal control procedures.

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December 2007.

THE BOARD

(i) Responsibilities

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim and annual reports, announcements of interim and final results, considering dividend policy, and approving the grant of share options or any change in the capital structure of the Company. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the executive committee of the Board.

The day-to-day management, administration and operation of the Company are delegated to the management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary of the Company (the "Company Secretary"), with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The independent non-executive Directors of the Company (the "Independent Non-executive Directors") may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

(ii) Board Composition

The Board comprised eight Directors as at 31st December 2007, detailed as below:

Executive Directors

Mr WONG Kin Yip, Freddie
 Ms TANG Mei Lai, Metty
 Mr CHAN Kwan Hing, Vincent
 Ms LAM Fung Fong, Iris
 Mr KWOK Ying Lung, Raymond

Independent Non-executive Directors

Mr KOO Fook Sun, Louis
 Mr SUN Tak Chiu, Raymond
 Mr WANG Ching Miao, Wilson

The biographical details of the Directors are set out on pages 13 to 16 of this annual report.

THE BOARD (Continued)

(iii) Chairman and Chief Executive Officer

The chairman and the chief executive officer of the Company are Mr WONG Kin Yip, Freddie and Mr CHAN Kwan Hing, Vincent respectively. The roles of the chairman and the chief executive officer are segregated and assumed by two separate individuals. The chairman of the Group is responsible for the leadership and management of the Board and the Group's strategy. The chief executive officer of the Company is delegated with the authorities to manage and develop business divisions' objectives and budgets and to implement the Group's strategies in all aspects effectively.

Mr WONG Kin Yip, Freddie is the spouse of Ms TANG Mei Lai, Metty, the deputy chairman and executive Director of the Company. Besides this, there is no family or other material relationships among members of the Board.

(iv) Independent Non-executive Director

The term of office of all Independent Non-executive Directors has been fixed for a specific term of one year. They are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

During the year ended 31st December 2007, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Independent Non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received written confirmation of their independence from each of the Independent Non-executive Directors and considers them to be independent of the Company and free of any relationship that could materially interfere with the exercise of their independent judgment.

(v) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the year ended 31st December 2007, the Board held six meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss significant issues and general operation of the Company. Individual attendance records of each Directors at the respective Board and committee meetings are set out in the table on page 20 of this annual report.

(vi) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. The Company Secretary is responsible to take and keep minutes of all Board and committee meetings. Draft version of minutes is normally circulated to the Directors for comment within a reasonable time after each meeting and the final version of which is sent to all Directors for their records and is opened for Directors' inspection.

BOARD COMMITTEES

The Board has set up four board committees, namely, Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee (collectively the "Board Committees"), for overseeing particular aspects of the Company's affairs.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

BOARD COMMITTEES (Continued)

(i) Executive Committee

The executive committee operates as a general management committee with delegated authority from the Board. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the Executive Committee.

(ii) Audit Committee

The Board established an audit committee on 4th August 1998 and has set out details of its overall objectives, authority, roles and responsibilities. The current members are Mr KOO Fook Sun, Louis, Mr SUN Tak Chiu, Raymond and Mr WANG Ching Miao, Wilson, all of them are Independent Non-executive Directors and two of whom possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Terms of reference of the audit committee is made available on the website of the Company.

The audit committee is responsible for, inter alia, reviewing of the financial information of the Company and overseeing the Company's financial controls, internal control and risk management systems, and reviewing and monitoring the relationship between the Company and its auditor.

The audit committee held two meetings during the year ended 31st December 2007. Other members of the senior management and the external auditors of the Company were invited to join the discussion of the audit committee meetings.

Following is a summary of works performed by the audit committee during the year ended 31st December 2007:—

- (i) review of the Group's annual and interim results announcement and documents with recommendations for the Board's approval;
- (ii) review of the development in financial reporting standards and its effects on the Group;
- (iii) review of external auditors' audit plan and its nature and scope, the external auditors' reports and other matters raised by the external auditors;
- (iv) review of the independence of the external auditors and approval of its engagement and audit fee; and
- (v) review of internal audit reports prepared by the internal audit department in respect of the Group's internal control system and procedures, its effectiveness and the regular updates on key risk areas of financial control.

(iii) Remuneration Committee

The Board had established a remuneration committee on 10th March 2005. It currently comprises five members, namely Mr WONG Kin Yip, Freddie, Ms LAM Fung Fong, Iris, Mr KOO Fook Sun, Louis, Mr SUN Tak Chiu, Raymond and Mr WANG Ching Miao, Wilson, majority of them are Independent Non-executive Directors. The role and authorities of the committee, including those set out in code provision B.1.3 of the Code, were clearly set out in its terms of reference which are available at the Company's website. The committee is responsible to review and determine the remuneration policy and packages of the executive Directors and management executives.

BOARD COMMITTEES (Continued)

(iii) Remuneration Committee (Continued)

The Executive Directors, assisted by the group human resources department, are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of individuals and the profitability of the Group, and proposing to the committee for consideration and approval of remuneration packages of the Directors and management executives. Executive Directors do not participate in the determination of their own remuneration.

During the year of 2007, two remuneration committee meetings were held in which all members attended.

(iv) Nomination Committee

The Board had established a nomination committee on 10th March 2005. It currently comprises five members, namely Mr WONG Kin Yip, Freddie, Ms LAM Fung Fong, Iris, Mr KOO Fook Sun, Louis, Mr SUN Tak Chiu, Raymond and Mr WANG Ching Miao, Wilson, majority of them are Independent Non-executive Directors. Terms of reference of the nomination committee, which is made available on the website of the Company, has set out details of its role and functions, nomination procedures and the process and criteria adopted for selection and recommendation of candidates for directorship of the Company.

During the year of 2007, one nomination committee meeting was held in which all members attended.

ATTENDANCE RECORDS AT THE BOARD AND COMMITTEES MEETINGS

The attendance records of the individual Directors at the Board, audit committee, remuneration committee and nomination committee meetings for the year ended 31st December 2007 are set out in the following table:

Directors	Board	Meetings Attended/Held		
		Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr WONG Kin Yip, Freddie	6/6	N/A	2/2	1/1
Ms TANG Mei Lai, Metty	6/6	N/A	N/A	N/A
Mr CHAN Kwan Hing, Vincent	6/6	N/A	N/A	N/A
Ms LAM Fung Fong, Iris	6/6	N/A	2/2	1/1
Mr KWOK Ying Lung, Raymond	6/6	N/A	N/A	N/A
Independent Non-executive Directors				
Mr KOO Fook Sun, Louis	6/6	2/2	2/2	1/1
Mr SUN Tak Chiu, Raymond	6/6	2/2	2/2	1/1
Mr WANG Ching Miao, Wilson	6/6	2/2	2/2	1/1

DIRECTORS SECURITIES TRANSACTIONS

The Company has established its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). The Board also has established a policy with no less exacting terms than the Model Code for the relevant employees in respect of their dealings in securities of the Company and of its listed subsidiary.

Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the financial statements of the Company and of the Group for the year ended 31st December 2007 on the going concern basis in accordance with the statutory requirements and applicable reporting standards.

AUDITORS' REMUNERATION

PricewaterhouseCoopers has been re-appointed as the independent auditors of the Company by the shareholders of the Company (the "Shareholders") at the last annual general meeting.

For the year ended 31st December 2007, the auditors of the Company received approximately HK\$3,431,000 for audit services (2006: HK\$2,789,000) as well as HK\$3,045,000 for non-audit services (2006: HK\$453,000). The non-audit services mainly comprised professional services rendered in connection with the Group restructuring, interim results review fee and tax compliance services.

The statement of the responsibilities of the independent auditors with respect to the 2007 financial statements is set out in the "Report of the Independent Auditors" on page 41 of this Annual Report.

INTERNAL CONTROLS

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' investment and the Company's assets. The Company has from time to time reviewed the effectiveness of the internal control systems in order to ensure that they meet with the dynamic and ever changing business environment.

The internal audit department of the Company, which reports directly to the audit committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year, the Board, through the internal audit department and the audit committee, conducts review on the effectiveness of the Group's internal control system covering financial, operational and compliance controls and risk management processes.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Procedures for and the rights of shareholders to demand a poll voting on resolutions at Shareholders' meetings are included in all circulars to Shareholders and will be explained during the proceedings of Shareholders' meetings. In case of poll voting being conducted, the poll results will be posted on the websites of the Stock Exchange and of the Company on the business day following the Shareholders' meeting.

To enhance communications with the Shareholders, the chairman of the Board and the chairmen of all the Board Committees, are available to answer questions at the Shareholders' meetings.

The Company continues to enhance communications and relationships with its investors. The management maintains regular communication with media, equity research analyst, fund managers, investors and institutional shareholders via press conference and regular meetings to keep them abreast of the Company's development.

To foster effective communications with its shareholders and investors, the Company maintains a website at www.midland.com.hk where the Company's announcements, circulars, notices, financial reports, business developments, corporate governance practices and other information are posted.

The market capitalisation of the Company as at 31st December 2007, the last trading day in 2007, was HK\$9,004,656,276 (issued share capital: 730,897,425 shares at closing market price: HK\$12.32 per share).

Corporate Social Responsibility Report

RESPONSIBILITY TO THE COMMUNITY

The Group encourages its staff to engage in community services and give hand to those in need.

- The Group's Volunteer Team participated in multiple activities, for example, the sales of "Lifeline Express Raffle Draw", Hong Kong-Shenzhen Western Corridor Walk for Millions and Society for the Promotion of Hospital Care Flag Day, as well as activities sponsored by the Group, such as Children Education Development Programme organized by Christian Action, in which the team act as volunteer tutors.



- Sponsored the "Lifeline Express Golf Day 2008", in which the Chairman of the Group participated himself and won the individual championship.
- Established the "Midland Holdings Scholarship" in the eight universities in Hong Kong
- With respect to Mainland China, the Group donated to the Virtus Foundation in the Mainland, which helps Mainland students with financial difficulties to complete their university education.



- Participated in various vocational programs, including the youth employment assistance project by the Salvation Army, and the Youth Pre-employment Training Programme by the Labour Department.
- Charitable donation was made to different groups during the year, including The Boys' and Girls' Clubs Association of Hong Kong, World Vision, Pok Oi Hospital, Autism Partnership Foundation, Haven of Hope Christian Service, The Community Chest of Hong Kong, ORBIS, World Emergency Relief, Medecins Sans Frontieres and the Red Cross.



RESPONSIBILITY TO THE STAFF

Employees are valuable assets to the Group. In addition to allocating resources to their continuous training and developments, the Group also makes efforts in managing performance of the staff as well as maintaining their health and psychological well-being.

- The "Staff Initiative Programme" was established in 2007, in order to honour individual employees in terms of personal discipline, high standards of services and professional achievements.
- A Health Promotion Project was implemented to provide health-related information to the staff members, for example, information on healthy diet, city common illnesses and knowledge on exercising.
- The "Work Excellence" campaign was launched since 2006 to promulgate the idea of a healthy work life, which has yielded exceptional results. During the year, new benefits were introduced as general benefits, such as paternity leave for men and birthday leave.



The Group also encourages its employees to take training courses for personal development.

- During the year, a total of 823 courses were introduced to the staff. In addition to the general courses related to management skills, real estate agents practice, laws related to real estate, sales skills, appraisal skills and languages, the Group also held general interest classes such as Chinese penmanship classes and relaxing herbal tea classes, to promote body mind balance of the staff.

RESPONSIBILITY TO BUSINESS PARTNERS AND CLIENTS

Home purchasing could be one's biggest investment decision in a lifetime. It is one of the corporate social responsibilities for the Group to provide disclaimed property market information in a fair, unbiased and public way.

- 729 ejournal
- Online television
- Property market data
- Property directory of year 2007
- 729 Property Journal



The Group has also invited various overseas and local universities to discuss the current condition and development of the Hong Kong property market.

During the year, the Group has also met with officials from the Shenzhen Real Estate Association, in order to promote their understanding forwards the professional development of Hong Kong property business.



RESPONSIBILITY TOWARDS THE ENVIRONMENT

The Group is dedicated to promote concepts of environmental conservation to the clients and different members of the society.

- Sponsored Professor Jim Chi Yung of The University of Hong Kong, Department of Geography, to launch the "Green Roof Project" and to study plantations on rooftop of buildings.
- Established environmental friendly branches, in order to enhance environmental consciousness of all employees and clients.



- Volunteer Team of the Group participated in the tree-planting-hiking activity "Tree Planting Challenge" organized by Friends of the Earth, to plant trees in sites damaged by hill fire and promote ideas of environmental protection.



Report of the Directors

DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

Details of the analysis of the Group's performance for the year by business segments are set out in note 7 to the financial statements.

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 at the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2007 are set out in the consolidated income statement on page 42 of this annual report.

The Directors declared an interim dividend of HK\$0.16 per ordinary share, totalling HK\$116,944,000, which was paid on 9th October 2007.

The Directors proposed a final dividend of HK\$0.21 per share for the year (2006: HK\$0.072 per share) and a 35th anniversary special cash bonus of HK\$0.10 per share for the year (2006: Nil) to shareholders whose names appear on the register of members of the Company on 16th May 2008. Taking into account of the interim dividend payment, total dividends for the year would amount to HK\$343,522,000, an increase of approximately 370% over last year. The final dividend and the 35th anniversary special cash bonus will be paid on or around 23rd May 2008.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

CHARITABLE DONATION

During the year, the Group made charitable donation totalling HK\$2,116,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Report of the Directors**INVESTMENT PROPERTIES**

Details of the principal properties held for investment purposes are set out on page 107 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company and in share options of its non-wholly-owned subsidiary during the year are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws of Bermuda.

DISTRIBUTABLE RESERVES

At 31st December 2007, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$234,518,000.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, a total of 1,554,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$4.54 to HK\$5.53 per share through the Stock Exchange. The Directors considered the share purchase would lead to an enhancement of the Group's earnings per share. Details of the purchases are as follows:

Month	Total number of the shares purchased	Purchase price per share		Aggregate cost HK\$
		Highest HK\$	Lowest HK\$	
August 2007	1,554,000	5.53	4.54	7,900,580
	<u>1,554,000</u>			<u>7,900,580</u>

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

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr WONG Kin Yip, Freddie
Ms TANG Mei Lai, Metty
Mr CHAN Kwan Hing, Vincent
Ms LAM Fung Fong, Iris
Mr KWOK Ying Lung, Raymond

Independent Non-executive Directors

Mr KOO Fook Sun, Louis
Mr SUN Tak Chiu, Raymond
Mr WANG Ching Miao, Wilson

According to Bye-law 87, Mr WONG Kin Yip, Freddie, Mr CHAN Kwan Hing, Vincent and Ms LAM Fung Fong, Iris will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Mr KOO Fook Sun, Louis, Mr SUN Tak Chiu and Mr WANG Ching Miao, Wilson are Independent Non-executive Directors and were appointed for a one-year term expiring on 23rd September 2008.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEME**Midland Share Option Scheme**

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

(1) Purpose

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

SHARE OPTION SCHEME (Continued)

Midland Share Option Scheme (Continued)

(2) Eligible persons

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

(3) Total number of shares available for issue

Total number of shares available for issue are 35,586,609, representing approximately 4.87% of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

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

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

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

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

(6) Time of exercise of option

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

(7) Acceptance of offer

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

SHARE OPTION SCHEME (Continued)

Midland Share Option Scheme (Continued)

(8) Basis of determining the subscription price

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

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

(9) The remaining life of the Share Option Scheme

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

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

Name	Date of grant	Exercise price HK\$	Outstanding as at 1st January 2007	Options granted during the year	Outstanding as at 31st December 2007	Exercisable period
Participant						
Employee	22nd October 2007	7.858	–	3,654,487	3,654,487	1st February 2008 to 31st January 2011
		7.858	–	3,654,487	3,654,487	1st August 2008 to 31st July 2011
Total			–	7,308,974	7,308,974	

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

SHARE OPTION SCHEME (Continued)

Fair Value of options granted under the Share Option Scheme

The fair value of the options granted during 2007 determined using the Binomial valuation model is HK\$12,580,000. The valuation was carried out on a market value basis. The significant inputs into the model were share price of HK\$7.18 at the grant date, exercise price of HK\$7.858, dividend yield of 3.23% (based on yearly dividend paid in 2006 and interim dividend paid in 2007), 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 3.271% and 3.311% respectively (the rates represented the yields to maturity of respective Hong Kong Exchange Fund Notes as at 22nd October 2007). The volatility of the options is 50.93% and 49.73%.

Midland IC&I Share Option Scheme

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

The major terms of the Midland IC&I Share Option Scheme are summarized as follows:

a) Purpose of the Midland IC&I Share Option Scheme

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

b) Participants of the Midland IC&I Share Option Scheme

The board of Midland IC&I (the "Midland IC&I Board") may invite any Eligible Person as the Midland IC&I 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 Midland IC&I Group or Invested Entity.

c) Total number of shares available for issue

Total number of shares available for issue are 747,000,000, representing approximately 9% of the issued share capital of Midland IC&I 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 Midland IC&I Share Option Scheme and any other share option schemes of Midland IC&I 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 Midland IC&I and, for so long as Midland IC&I remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under Growth Enterprise Market Listing Rules and the Listing Rules from time to time.

SHARE OPTION SCHEME (Continued)

Midland IC&I Share Option Scheme (Continued)

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

Any further grant of share options in excess of the abovementioned limit shall be subject to the issue of a circular by Midland IC&I and shall be separately approved by the shareholders of Midland IC&I and, for so long as Midland IC&I 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 Midland IC&I 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 Midland IC&I 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 Midland IC&I 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 Midland IC&I Share Option Scheme shall be a price determined by the Midland IC&I 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 dates; and
- (iii) the nominal value of a share.

h) Remaining life of the Midland IC&I Share Option Scheme

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

Report of the Directors

SHARE OPTION SCHEME (Continued)

Midland IC&I Share Option Scheme (Continued)

h) Remaining life of the Midland IC&I Share Option Scheme (Continued)

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

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

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

DIRECTORS' INTERESTS IN SHARES

As at 31st December 2007, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Number of Ordinary Shares

Name of Directors	Personal Interests	Corporate Interests	Family Interests	Total	Percentage of Shareholding
Mr WONG Kin Yip Freddie	29,636,000	43,494,144	–	73,130,144	10.01%
Ms TANG Mei Lai, Metty	–	–	73,130,144 (note)	73,130,144	10.01%
Ms LAM Fung Fong, Iris	14,000	–	–	14,000	0.002%

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

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

DIRECTORS' INTERESTS IN SHARES (Continued)

Save as disclosed above, as at 31st December 2007, none of the Directors nor the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31st December 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 and the amounts of such interests and short position were as follows :

Name	Number of Shares	Capacity and nature of interest	Percentage of issued share capital
Sunluck Services Limited	43,494,144 (L)	Beneficial owner	5.95% (Note)
Southern Field Trading Limited	43,494,144 (L)	Interest in controlled corporation	5.95% (Note)
UBS AG	52,377,600 (L)	Beneficial owner; Person having a security interest in shares; Interest of corporation controlled	7.17%
	1,508,000 (S)	Beneficial owner; Interest of corporation controlled	0.21%
JP Morgan Chase & Co.	42,886,000 (L)	Approved lending agent	5.87%
	1,333,822 (L)	Beneficial owner; Investment manager	0.18%
Deutsche Bank Aktiengesellschaft	50,402,549 (L)	Beneficial owner; Investment manager; Person having a security interest in shares	6.90%
	36,000 (S)	Beneficial owner	0.004%
Universities Superannuation Scheme Limited	37,950,000 (L)	Trustee	5.19%

Remark: (L) - Long Position, (S) - Short Position

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

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

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

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business. Further details are set out in note 38 to the financial statements.

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

CONNECTED TRANSACTIONS

- (a) A tenancy agreement was first made on 30th June 2005 and was renewed subsequently by tenancy agreement between Orient Sheen Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Capital Delta Profits Limited, a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Units B1, B2 and B3 on 29th Floor, Tower 1, Admiralty Centre, No.18 Harcourt Road, Hong Kong as its office for the term of two years commencing from 1st July 2007 to 30th June 2009 at a monthly rental of HK\$260,000 with an option to renew for a further two years.
- (b) A tenancy agreement was first made on 15th April 2005 and was renewed subsequently by tenancy agreement between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Shop E, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of twelve months commencing from 16th April 2007 to 15th April 2008 at a monthly rental of HK\$65,700 with an option to renew for a further one year.
- (c) A tenancy agreement was first made on 15th April 2005 and was renewed subsequently by tenancy agreement between Topwick Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Shop F, Splendid Place, No.39 Tai Koo Shing Road/ No.16 Shipyard Lane, Hong Kong as its shop for the term of twelve months commencing from 16th April 2007 to 15th April 2008 at a monthly rental of HK\$61,000 with an option to renew for a further one year.
- (d) A tenancy arrangement was first made on 15th April 2005 and was renewed subsequently by tenancy agreements between Systems Gold Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Get Best Industries Limited, a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to lease a premises located at Ground Floor with cockloft, No.135 Thomson Road, Wanchai, Hong Kong as its shop for a term of twelve months commencing from 1st June 2007 to 31st May 2008 at a monthly rental of HK\$58,000.

CONNECTED TRANSACTIONS (Continued)

- (e) On 22nd October 2007, a tenancy arrangement was entered into between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in Hong Kong and wholly-owned by Mr WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to lease a premises located at Shop E, Ground Floor, Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as its shop for a term of two years commencing from 1st November 2007 to 31st October 2009 at a monthly rental of HK\$48,000 with an option to renew for a further two years.
- (f) As disclosed in an announcement dated 26th October 2007, the Group entered into sixteen agreements respectively with the companies beneficially owned by Mr WONG Kin Yip, Freddie, Ms TANG Mei Lai, Metty or Ms WONG Ching Yi, Angela for the provision of estate agency services by the Group within a 12-month period up to 26th October 2007. The total agency fee was amounted to about HK\$2,715,736.
- (g) As disclosed in an announcement dated 20th November 2007, the Group further entered into seven agreements respectively with the companies beneficially owned by Mr WONG Kin Yip, Freddie and Ms TANG Mei Lai, Metty for the provision of estate agency services by the Group within a 12-month period up to 20th November 2007. The total agency fee was amounted to about HK\$1,395,389.
- (h) As disclosed in an announcement dated 21st December 2007, the Group further entered into two agreements respectively with the companies beneficially owned by Mr WONG Kin Yip, Freddie for the provision of estate agency services by the Group within a 12-month period up to 21st December 2007. The total agency fee was amounted to about HK\$145,360.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions and confirmed that in their opinion, the continuing connected transactions were carried out:

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

Pursuant to Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain procedures on the continuing connected transactions as set out in notes (a) to (e) above and reported that:

- i. those continuing connected transactions received the approval of the Board of Directors of the Company;
- ii. those continuing connected transactions were entered into in accordance with the terms as set out in the tenancy agreements; and
- iii. those continuing connected transactions have not exceed the annual cap stated in the relevant announcements.

Report of the Directors

RETIREMENT SCHEME

Details of the Company's retirement scheme are set out in note 9 to financial statements.

PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's principal subsidiaries and jointly controlled entities at 31st December 2007 are set out in note 39 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and liabilities associated with assets held for sale at 31st December 2007 are set out in note 32 and note 27 to the financial statements. Apart from the above, the Group has no other borrowings at 31st December 2007.

EMOLUMENT POLICY

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PUBLIC FLOAT

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

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

WONG Kin Yip, Freddie

Chairman and Managing Director

Hong Kong, 17th March 2008

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31st December 2007, the Group had bank balances and cash of HK\$1,046,033,000, whilst bank loans amounted to HK\$31,576,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$66,295,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	3,376
After 1 year but within 2 years	3,488
After 2 years but within 5 years	11,204
Over 5 years	13,508

The Group had unutilised banking facilities amounting to HK\$198,781,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollar, United States Dollar, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollar. Therefore the Directors consider that the Group has no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31st December 2007, the gearing ratio of the Group was 1.9%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

The Directors are of the view that there are sufficient financial resources to satisfy the Group's capital commitments and on-going working capital requirements.

CONTINGENT LIABILITIES

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries. In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries.

GROUP RESTRUCTURING

On 6th June 2007, the Company completed a group restructuring by transferring of the entire issued share capital of Ketanfall Group Limited, the 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 Midland Realty (Strategic) Limited, the Company's indirect wholly-owned subsidiary, to Midland IC&I, formerly known as "EVI Education Asia Limited", the Company's indirect non-wholly-owned subsidiary, securities of which are listed on the Growth Enterprise Market of the Stock Exchange, at a total consideration of HK\$640 million satisfied by Midland IC&I Limited issuing the convertible notes in the principal amount of HK\$540 million and HK\$100 million by cash (the "Group Restructuring").

The Group Restructuring provides an opportunity for Midland IC&I to engage in the business of industrial and commercial (office and shop) properties brokerage in Hong Kong. Immediately following the completion of the Group Restructuring, Ketanfall Group Limited has become a wholly-owned subsidiary of Midland IC&I and remained as a non-wholly-owned subsidiary of the Company. The Company continues to be the controlling shareholder of Midland IC&I after the Group Restructuring.

EMPLOYEE INFORMATION

As at 31st December 2007, the Group employed 8,091 full time employees of which 6,966 were sales agents and 1,125 were back office supportive employees.

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.

Investor Relations

The investor relations team is responsible for maintaining effective and efficient two-way communications between the Group and the global investment communities. We serve shareholders, potential investors and analysts. In past few years, our team participated in numerous roadshows organized by renowned financial institutions such as CLSA, Goldman Sachs, Macquarie, Daiwa and Nomura. And we paid visit to almost all the important financial centers such as New York, London, Boston, San Francisco, Dallas, Edinburg, Amsterdam, Rotterdam, Paris, Milan, Geneva, Zurich, Singapore and Tokyo. Last year, our team also was invited as the presenters at CLSA investors' forum, CLSA Corporate Access Forum, UBS Greater China Conference and Citi Greater China Investor Conference.



Investor Relations Team

From left to right: Anita CHEUNG, Gordon TSE, Buggle LAU

FINANCIAL CALENDAR

Announcement of interim results	17th September 2007
Share register closed	2nd October 2007 to 4th October 2007
Payment date for interim dividend	9th October 2007
Announcement of final results	17th March 2008
Share register closed	14th May 2008 to 16th May 2008
2008 Annual General Meeting	16th May 2008
Payment date for final dividend and 35th anniversary special cash bonus	on or around 23rd May 2008

Investor Relations

SHAREHOLDERS SERVICES

For enquiries about share transfer and registration matter, please contact the Company's Hong Kong Branch Share Registrar directly as follows:–

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong
Telephone: (852) 2980 1700
Facsimile: (852) 2890 9350

GENERAL ENQUIRIES

For enquiries relating to investor relations, please email to "investor@midland.com.hk" or write to:–

Investor Relations
Midland Holdings Limited
Rooms 2505-8, 25th Floor
Worldwide House
19 Des Voeux Road Central
Hong Kong
Telephone: (852) 2525 8383
Facsimile: (852) 2845 0705

Financial statements and other information of the Group can be found at our website at "www.midland.com.hk".

Report of the Independent Auditors



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Midland Holdings Limited (the "Company") set out on pages 42 to 106, 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 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, 17th March 2008

Consolidated Income Statement

For the year ended 31st December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Revenue	6	3,871,364	2,014,658
Other income, net	8	63,203	26,391
Staff costs	9	(2,162,598)	(1,085,435)
Rebate commissions		(74,604)	(30,046)
Advertising and promotion expenses		(240,839)	(178,499)
Operating lease charges in respect of office and shop premises		(266,222)	(271,506)
Impairment of receivable		(110,807)	(58,499)
Depreciation and amortisation costs		(48,503)	(63,863)
Other operating costs		(247,755)	(193,726)
Operating profit	11	783,239	159,475
Finance income	12	24,190	13,661
Finance costs	12	(8,547)	(3,739)
Share of profits less losses of jointly controlled entities		14,572	7,989
Profit before taxation		813,454	177,386
Taxation	13	(141,241)	(33,118)
Profit for the year		672,213	144,268
Attributable to:			
Equity holders	30	659,129	149,940
Minority interests		13,084	(5,672)
		672,213	144,268
Dividends	15	343,522	73,308
Earnings per share	16	HK cent	HK cent
Basic		90.1	20.4
Diluted		90.0	20.4

Consolidated Balance Sheet

As at 31st December 2007

	Note	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	83,429	77,805
Investment properties	18	68,713	27,548
Leasehold land and land use rights	19	122,656	106,346
Intangible assets	20	–	36,689
Interests in jointly controlled entities	22	26,370	11,716
Available-for-sale financial assets	23	–	49,583
Held-to-maturity investments	24	–	11,044
Financial assets at fair value through profit or loss	25	–	31,804
Deferred taxation assets	33	29,176	18,434
		330,344	370,969
Current assets			
Trade and other receivable	26	1,827,749	1,006,649
Held-to-maturity investments	24	11,050	–
Financial assets at fair value through profit or loss	25	106,513	19,984
Assets held for sale	27	97,926	–
Taxation recoverable		–	1,790
Cash and bank balances	28	1,046,033	529,824
		3,089,271	1,558,247
Total assets		3,419,615	1,929,216

Consolidated Balance Sheet (Continued)

As at 31st December 2007

	Note	2007 HK\$'000	2006 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	29	73,090	73,245
Reserves	30	1,351,606	1,002,740
Proposed dividend and special cash bonus	30	226,578	52,737
		1,651,274	1,128,722
Minority interests		53,339	65,697
Total equity		1,704,613	1,194,419
Non-current liabilities			
Borrowings	32	28,200	10,665
Deferred taxation liabilities	33	3,570	750
		31,770	11,415
Current liabilities			
Trade and other payable	31	1,514,188	721,604
Borrowings	32	3,376	1,778
Liabilities associated with assets held for sale	27	51,940	–
Taxation payable		113,728	–
		1,683,232	723,382
Total liabilities		1,715,002	734,797
Total equity and liabilities		3,419,615	1,929,216
Net current assets		1,406,039	834,865
Total assets less current liabilities		1,736,383	1,205,834

CHAN Kwan Hing, Vincent
Director

LAM Fung Fong, Iris
Director

Balance Sheet

As at 31st December 2007

	Note	2007 HK\$'000	2006 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	21	108,501	108,501
Available-for-sale financial assets	23	–	49,583
Held-to-maturity investments	24	–	11,044
Deferred taxation assets	33	35	350
		<u>108,536</u>	<u>169,478</u>
Current assets			
Other receivable, prepayments and deposits	26	499	493
Amounts due from subsidiaries	21	1,056,661	856,448
Financial assets at fair value through profit or loss	25	–	6
Held-to-maturity investments	24	11,050	–
Taxation recoverable		–	1,848
Cash and bank balances	28	313	114
		<u>1,068,523</u>	<u>858,909</u>
Total assets		<u>1,177,059</u>	<u>1,028,387</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	29	73,090	73,245
Reserves	30	515,686	631,007
Proposed dividend and special cash bonus	30	226,578	52,737
Total equity		<u>815,354</u>	<u>756,989</u>
Current liabilities			
Other payables and accruals	31	72,906	21,323
Amounts due to subsidiaries	21	287,955	250,075
Taxation payable		844	–
Total liabilities		<u>361,705</u>	<u>271,398</u>
Total equity and liabilities		<u>1,177,059</u>	<u>1,028,387</u>
Net current assets		<u>706,818</u>	<u>587,511</u>
Total assets less current liabilities		<u>815,354</u>	<u>756,989</u>

Consolidated Cash Flow Statement

For the year ended 31st December 2007

	Note	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	734,142	210,545
Hong Kong profits tax paid		(32,823)	(40,338)
Overseas taxation paid		(822)	(89)
Interest paid		(8,547)	(3,739)
Net cash from operating activities		691,950	166,379
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	34(b)	(929)	–
Proceed from disposal of interests in jointly controlled entities		–	58
Purchase of property, plant and equipment		(42,669)	(16,328)
Purchase of investment properties		(166,230)	(5,268)
Proceeds from disposal of investment properties		31,026	77,452
Proceeds from disposal of leasehold land, property, plant and equipment		–	22,958
Proceeds from disposal of available-for-sale financial assets		75,070	–
Purchase of derivative financial instrument		(62,053)	(40,448)
Proceeds from disposal of derivative financial instrument		64,747	28,904
Bank interest received		24,190	13,661
Dividend income received from listed investments		2,863	3,109
Dividend income received from a jointly controlled entity		–	11,000
Disposal of a subsidiary	34(c)	–	(52)
Net cash (used in)/from investing activities		(73,985)	95,046
Cash flows from financing activities			
Purchase of own shares		(7,900)	(8,371)
New bank loans		73,741	–
Repayment of bank loans		(2,668)	(56,913)
Dividends paid to equity holders		(169,681)	(32,326)
Net cash used in financing activities		(106,508)	(97,610)
Net increase in cash and bank balances			
		511,457	163,815
Cash and bank balances at beginning of the year		529,824	365,390
Exchange differences		4,752	619
Cash and bank balances at end of the year	28	1,046,033	529,824

Consolidated Statement of Changes in Equity

For the year ended 31st December 2007

	Share capital HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January 2007	73,245	1,055,477	1,128,722	65,697	1,194,419
Realised upon disposal of available-for-sale financial assets	–	(2,110)	(2,110)	–	(2,110)
Currency translation differences	–	5,092	5,092	–	5,092
Net gain recognised directly in equity	–	2,982	2,982	–	2,982
Profit for the year	–	659,129	659,129	13,084	672,213
Total recognised income for the year	–	662,111	662,111	13,084	675,195
Reserve arising from group reorganisation	–	25,442	25,442	(25,442)	–
Employee share-based benefits	–	12,580	12,580	–	12,580
Re-purchase of own shares	(155)	(7,745)	(7,900)	–	(7,900)
2006 final dividend paid	–	(52,737)	(52,737)	–	(52,737)
2007 interim dividend paid	–	(116,944)	(116,944)	–	(116,944)
	(155)	(139,404)	(139,559)	(25,442)	(165,001)
At 31st December 2007	73,090	1,578,184	1,651,274	53,339	1,704,613
At 1st January 2006	73,466	927,872	1,001,338	71,049	1,072,387
Change in fair value of available-for-sale financial assets	–	15,297	15,297	–	15,297
Currency translation differences	–	954	954	–	954
Net gain recognised directly in equity	–	16,251	16,251	–	16,251
Profit for the year	–	149,940	149,940	(5,672)	144,268
Total recognised income/(expense) for the year	–	166,191	166,191	(5,672)	160,519
Employee share-based benefits	–	1,890	1,890	–	1,890
Re-purchase of own shares	(221)	(8,150)	(8,371)	–	(8,371)
2005 final dividend paid	–	(11,755)	(11,755)	–	(11,755)
2006 interim dividend paid	–	(20,571)	(20,571)	–	(20,571)
Disposal of a subsidiary	–	–	–	320	320
	(221)	(38,586)	(38,807)	320	(38,487)
At 31st December 2006	73,245	1,055,477	1,128,722	65,697	1,194,419

Notes to the Financial Statements

1. GENERAL INFORMATION

Midland Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the Main Board of 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 its principal office in Hong Kong is Rooms 2505-2508, 25th Floor, Worldwide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively the "Group") are provision of property brokerage services in respect of Hong Kong, the Mainland China and Macau.

These financial statements have been approved by the Board of Directors on 17th 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 Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

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 consolidated financial statements, are disclosed in note 5 below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 to the accounting policies of the Group with the exception of HKAS 1 (Amendment) and HKFRS 7 which require additional disclosures in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following standard, amendments 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
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Effective for the year ending 31st December 2009:

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

The adoption of these standard, amendments and interpretation is 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 below. These policies have been consistently applied to all the years presented.

(a) 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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.

(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 receivable, 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.

(b) 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)

(c) 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

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 equity.

(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 exchange 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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 exchange rate at the balance sheet date.

(d) 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 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 costs 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 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)

(e) 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. Changes in fair values are recognised in the income statement as part of other income. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

Subsequent expenditure is charged to the carrying amount of the property 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.

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, the gain is recognised in the income statement.

(f) 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. Impairment on goodwill is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

- (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.

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

(g) 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.

(h) Financial assets

The Group classifies its financial assets in the categories of at fair value through profit or loss, loans and receivable, held to-maturity investments and available-for-sale financial assets. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

(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 receivable are classified as trade and other receivable in the balance sheet.

(iii) 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.

(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 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 included 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale 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.

Interest on held-to-maturity investments and available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividend 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. Impairment recognised in the income statement on equity instruments are not reversed through the income statement.

(i) 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 receivable. Significant financial difficulties of the receivable, probability that the receivable 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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.

(k) Share capital

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 including any directly attributable incremental costs is deducted from equity.

(l) 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.

(m) 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.

(n) 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 and jointly controlled entities 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation (Continued)

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.

(o) 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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 rate 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.

(q) 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 revenues reducing factors.

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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.

(s) 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.

(t) 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 expose it to credit risk, foreign exchange risk, interest rate risk, price risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of the 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. 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)

(a) Financial risk factors (Continued)

(ii) Foreign exchange risk

The Group mainly operates in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy and has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

At the balance sheet date, if exchange rate in Hong Kong dollar against Renminbi had been increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK\$219,000 (2006: HK\$13,000) for the year ended 31st December 2007.

(iii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified in the balance sheet as available-for-sale financial assets or financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is carried out in accordance with the limits set by the Group.

The Group's investments in equity of other entities are publicly traded in Hong Kong.

At the balance sheet date, if the market value of the equity securities held by the Group had been increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK\$3,195,000 (2006: HK\$1,553,000) for the year ended 31st December 2007.

(iv) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets and liabilities, other than bank deposits and bank borrowing which are carried at variable rates, the Group's income/(expense) 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 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK\$644,000 (2006: HK\$451,000) for the year ended 31st December 2007.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and limited 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\$151,810,000 (2006: HK\$45,600,000) which is due for payment within 30 days, all the remaining trade payable not yet due.

The Group's liabilities, based on the contractual undiscounted cash flow, are repayable in the following periods:

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31st December 2007				
Bank borrowings	3,376	3,488	11,204	13,508
Liabilities associated with asset held for sale	51,940	–	–	–
Trade payable	1,022,017	–	–	–
Other payable and accrual	492,171	–	–	–
	<u>1,569,504</u>	<u>3,488</u>	<u>11,204</u>	<u>13,508</u>
At 31st December 2006				
Bank borrowings	1,778	1,778	5,336	3,551
Trade payable	393,960	–	–	–
Other payable and accrual	327,644	–	–	–
	<u>723,382</u>	<u>1,778</u>	<u>5,336</u>	<u>3,551</u>

(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.

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The capital structure of the Group consists of equity attributable to the equity holders and bank borrowing. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders and repurchase of shares from shareholders. The Group monitors capital on the basis of the total debt to equity ratio. The ratio is calculated as total borrowings (including liabilities associated with assets held for sales) divided by total equity. The total debt to equity ratios at 31st December 2007 and 2006 were as follows:

	2007 HK\$'000	2006 HK\$'000
Bank borrowings	31,576	12,443
Liabilities associated with assets held for sale	51,940	–
Total borrowings	83,516	12,443
Total equity	1,704,613	1,194,419
Total debt to equity ratio	4.90%	1.04%

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash, deposits with financial institutions, and trade and other receivable; and financial liabilities including trade and other payable and 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.

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.

(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 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 trade receivable based on the credit history of customers and the current market condition by business segment. Management reassesses the provision by each balance sheet date.

5. 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 independent professional valuers. 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.

(b) Critical judgements in applying accounting policies

Classification between investment and other 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 the Group. 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, 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.

6. REVENUE

	2007 HK\$'000	2006 HK\$'000
Agency fee	3,828,512	1,972,124
Rental from investment properties	3,287	2,606
Web advertising	6,647	5,573
Internet education services	23,522	27,124
Other services	9,396	7,231
	<u>3,871,364</u>	<u>2,014,658</u>

Notes to the Financial Statements

7. SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2007					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	1,860,891	347,813	262,534	71,440	–	2,542,678
Interests in jointly controlled entities	365	–	–	26,005	–	26,370
Unallocated assets						850,567
Total assets						3,419,615
Segment liabilities	1,339,833	196,577	2,425	8,747	–	1,547,582
Unallocated liabilities						167,420
Total liabilities						1,715,002
Capital expenditure	39,876	1,263	166,230	1,530	–	208,899
Depreciation	31,125	3,760	346	1,093	123	36,447
Amortisation	–	–	1,828	9,886	342	12,056
Impairment	–	–	–	27,346	–	27,346
Other non-cash expenses/(income)	77,272	33,466	(16,332)	(9)	12,580	106,977

Notes to the Financial Statements

7. SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2006					
	Residential property brokerage HK\$'000	Industrial and commercial property brokerage HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	1,013,233	117,409	103,513	175,159	–	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	14,359	–	683,640
Unallocated liabilities						51,157
Total liabilities						734,797
Capital expenditure	13,852	1,168	5,752	817	7	21,596
Depreciation	45,474	4,524	183	1,382	155	51,718
Amortisation	–	–	1,812	9,895	438	12,145
Other non-cash expenses/(income)	45,750	12,752	(6,913)	(3)	–	51,586

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 taxation recoverable. Segment liabilities comprise operating liabilities and mainly exclude taxation payable and borrowings.

8. OTHER INCOME, NET

	2007 HK\$'000	2006 HK\$'000
Net realised and unrealised gains on financial assets at fair value through profit or loss and available-for-sale financial assets	39,992	15,930
Dividend income from listed investments	2,863	3,109
Fair value gains on investment properties	16,410	6,913
Gain on disposal of a subsidiary	698	381
Gain on disposal of a jointly controlled entity	–	58
Gains on disposal of investment properties	3,240	–
	<u>63,203</u>	<u>26,391</u>

9. STAFF COSTS

	2007 HK\$'000	2006 HK\$'000
Salaries and allowances	598,599	461,631
Commissions	1,520,623	592,938
Pension costs for defined contribution plans	30,796	28,976
Share-based benefits	12,580	1,890
	<u>2,162,598</u>	<u>1,085,435</u>

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 Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the Mainland China. 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.

The cost of the MPF scheme charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totalling HK\$2,392,000 (2006: HK\$2,144,000) which are payable to the fund are included in other payable and accrued charges as at 31st December 2007.

Notes to the Financial Statements

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Name of Director	Year ended 31st December 2007				
	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Mr WONG Kin Yip, Freddie	–	13,960	41,331	12	55,303
Ms TANG Mei Lai, Metty	–	1,309	2,927	12	4,248
Ms LAM Fung Fong, Iris	–	2,254	3,471	12	5,737
Mr CHAN Kwan Hing, Vincent	–	27,109	6,386	12	33,507
Mr KWOK Ying Lung, Raymond	–	8,558	4,705	12	13,275
	–	53,190	58,820	60	112,070
<i>Independent Non-executive Directors</i>					
Mr KOO Fook Sun, Louis	180	–	–	–	180
Mr SUN Tak Chiu, Raymond	180	–	–	–	180
Mr WANG Ching Miao, Wilson	180	–	–	–	180
	540	–	–	–	540
	540	53,190	58,820	60	112,610

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Name of Director	Year ended 31st December 2006				Total HK\$'000
	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	
<i>Executive Directors</i>					
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, Iris	–	1,785	622	12	2,419
Mr CHAN Kwan Hing, Vincent	–	6,003	1,425	12	7,440
Mr KWOK Ying Lung, Raymond	–	3,499	1,150	12	4,661
	–	25,820	14,681	60	40,561
<i>Independent Non-executive Directors</i>					
Mr KOO Fook Sun, Louis	180	–	–	–	180
Mr SUN Tak Chiu, Raymond	180	–	–	–	180
Mr WANG Ching Miao, Wilson	180	–	–	–	180
	540	–	–	–	540
	540	25,820	14,681	60	41,101

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). No payment was paid to a Director as compensation for loss of office during the year (2006: Nil).

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

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

	2007 HK\$'000	2006 HK\$'000
Basic salaries, allowances and share options	536	1,647
Discretionary bonuses	227	562
Share-based benefits	12,580	–
Retirement benefits costs	12	12
	<u>13,355</u>	<u>2,221</u>

The emoluments fell within the following bands:

Emolument bands	Number of individual	
	2007	2006
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$13,000,001 – HK\$13,500,000	1	–
	<u>1</u>	<u>1</u>

11. OPERATING PROFIT

Operating profit is arrived at after charging:

	2007 HK\$'000	2006 HK\$'000
Loss on disposal of investment properties	–	518
Loss on disposal of leasehold land, property, plant and equipment	2,700	4,996
Impairment of intangible assets (note 20)	27,178	–
Impairment of property, plant and equipment (note 17)	168	–
Direct operating expenses arising from investment properties that:		
– generated rental income	239	111
– did not generate rental income	438	51
Auditors' remuneration	3,431	2,789

12. FINANCE INCOME AND COSTS

	2007 HK\$'000	2006 HK\$'000
Finance income		
Bank interest	24,190	13,661
Finance costs		
Interest on bank loans and overdrafts		
Wholly repayable within five years	(1,714)	(1,445)
Not wholly repayable within five years	(1,562)	(651)
Interest on securities margin financing	(5,271)	(1,643)
	(8,547)	(3,739)
Finance income, net	15,643	9,922

Notes to the Financial Statements

13. TAXATION

	2007 HK\$'000	2006 HK\$'000
Current		
Hong Kong profits tax	144,057	31,561
Overseas	5,106	329
Deferred (note 33)	(7,922)	1,228
	<u>141,241</u>	<u>33,118</u>

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 subsidiaries established and operated in the Mainland China are subject to the Mainland China enterprise income tax at rates ranging from 15% to 33% (2006: 15% to 33%). On 16th March 2007, the National People's Congress approved the corporate income tax of the Mainland China (the "new CIT Law"), pursuant to which the corporate income tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January 2008.

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	813,454	177,386
Less: share of jointly controlled entities' profits	(14,572)	(7,989)
	<u>798,882</u>	<u>169,397</u>
Calculated at a taxation rate of 17.5%	139,804	29,645
Effect of different taxation rates in other countries	(670)	(1,594)
Income not subject to taxation	(9,736)	(4,673)
Expenses not deductible for taxation purposes	15,896	1,949
Utilisation of previously unrecognised tax losses	(7,001)	–
Tax losses not recognised	4,024	8,210
Temporary differences unrecognised	(690)	1,178
Others	(386)	(1,597)
Taxation charge	<u>141,241</u>	<u>33,118</u>

14. 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\$225,476,000 (2006: HK\$361,000).

15. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Interim paid of HK\$ 0.16 (2006: HK\$0.028) per share	116,944	20,571
Proposed final of HK\$0.21 (2006: HK\$0.072) per share	153,488	52,737
Proposed 35th anniversary special cash bonus of HK\$0.10 per share (2006: Nil)	73,090	–
	<u>343,522</u>	<u>73,308</u>

At a Board meeting held on 17th March 2008, the Directors proposed a final dividend of HK\$0.21 per share and special cash bonus HK\$0.10 per share. This proposed dividend and special cash bonus will be accounted for as an appropriation of retained earnings for the year ending 31st December 2008.

16. 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	<u>659,129</u>	<u>149,940</u>
Weighted average number of shares for calculation of basic earning per share (thousands)	731,836	734,339
Adjustment for assumed conversion of share options (thousands)	327	218
Weighted average number of shares for calculation of diluted earnings per share (thousands)	<u>732,163</u>	<u>734,557</u>
Basic earnings per share (HK cent)	90.1	20.4
Diluted earnings per share (HK cent)	<u>90.0</u>	<u>20.4</u>

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.

Notes to the Financial Statements

16. EARNINGS PER SHARE (Continued)

In calculating the diluted earnings per share the weighted average number of shares is 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 been issued assuming the exercise of the share options.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1st January 2006						
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 18)	503	–	–	–	–	503
Transfer to investment properties (note 18)	(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

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31st December 2007						
Opening net book amount	12,726	21,308	13,306	29,942	523	77,805
Additions	–	24,001	10,765	7,780	123	42,669
Transfer from investment properties (note 18)	600	–	–	–	–	600
Disposals	–	(1,088)	(329)	(1,283)	–	(2,700)
Depreciation	(307)	(16,779)	(5,032)	(13,991)	(338)	(36,447)
Impairment	–	(69)	–	(99)	–	(168)
Exchange differences	–	783	887	–	–	1,670
Closing net book amount	13,019	28,156	19,597	22,349	308	83,429
At 31st December 2007						
Cost	23,900	153,222	47,736	152,961	3,901	381,720
Accumulated depreciation	(10,881)	(125,066)	(28,139)	(130,612)	(3,593)	(298,291)
Net book amount	13,019	28,156	19,597	22,349	308	83,429

Buildings with carrying amount of HK\$2,447,000 (2006: HK\$1,886,000) are pledged as security for the Group's long-term bank loans (note 32).

Notes to the Financial Statements

18. INVESTMENT PROPERTIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Opening net book amount	27,548	99,670
Additions	166,230	5,268
Transfer from buildings (note 17)	–	85
Transfer from leasehold land and land use rights (note 19)	–	1,682
Transfer to buildings (note 17)	(600)	(503)
Transfer to leasehold land and land use rights (note 19)	(18,480)	(7,597)
Transfer to assets held for sale	(97,926)	–
Disposals	(27,786)	(77,970)
Change in fair value (note 8)	16,410	6,913
Exchange differences	3,317	–
Closing net book amount	68,713	27,548

The investment properties were revalued at 31st December 2007 by Knight Frank Petty Limited, based on current prices in an active markets for all properties.

Investment properties at their net book values are analysed as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
In Hong Kong		
Leases of over 50 years	5,150	4,750
Leases of between 10 to 50 years	11,850	11,200
Outside Hong Kong		
Leases of over 50 years	17,457	–
Leases of between 10 to 50 years	34,256	11,598
	68,713	27,548

Investment properties with net book value of HK\$20,940,000 (2006: Nil) are pledged as security for the Group's long-term bank loans (note 32).

19. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2007 HK\$'000	2006 HK\$'000
Opening net book amount	106,346	123,482
Transfer from investment properties (note 18)	18,480	7,597
Transfer to investment properties (note 18)	–	(1,682)
Disposals	–	(20,801)
Amortisation	(2,170)	(2,250)
Closing net book amount	122,656	106,346

Leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
In Hong Kong		
Leases of over 50 years	71,126	72,470
Leases of between 10 to 50 years	27,311	28,040
Outside Hong Kong		
Leases of over 50 years	24,219	5,836
	122,656	106,346

Leasehold land and land use rights with net book value of HK\$42,908,000 (2006: HK\$24,927,000) are pledged as security for the Group's long-term bank loans (note 32).

Notes to the Financial Statements

20. INTANGIBLE ASSETS

Group

	Goodwill HK\$'000	Website development HK\$'000	Total HK\$'000
At 1st January 2006			
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
Year ended 31st December 2007			
Opening net book amount	24,340	12,349	36,689
Additions	375	–	375
Amortisation	–	(9,886)	(9,886)
Impairment	(24,715)	(2,463)	(27,178)
Closing net book amount	–	–	–
At 31st December 2007			
Cost	30,125	29,659	59,784
Accumulated amortisation and impairment	(30,125)	(29,659)	(59,784)
Net book amount	–	–	–

21. SUBSIDIARIES

	Company	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	108,501	108,501
Amounts receivable	1,056,661	856,448
Amounts payable	287,955	250,075

Details of principal subsidiaries are set out in note 39 to the financial statements.

The amounts due receivable and payable are unsecured, interest free and repayable on demand. All subsidiaries have no default history.

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets	26,370	11,716
Unlisted shares, at costs	3,812	3,812

Details of principal jointly controlled entities are set out in note 39 to the financial statements.

Notes to the Financial Statements

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

	2007 HK\$'000	2006 HK\$'000
Assets		
Non-current assets	654	576
Current assets	35,905	24,255
	<u>36,559</u>	<u>24,831</u>
Liabilities		
Long-term liabilities	286	274
Current liabilities	9,903	12,841
	<u>10,189</u>	<u>13,115</u>
Net assets	<u>26,370</u>	<u>11,716</u>
Income	40,990	23,512
Expenses, including taxation	(26,418)	(15,523)
Net profit for the year	<u>14,572</u>	<u>7,989</u>

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 jointly controlled entities.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2007 HK\$'000	2006 HK\$'000
Equity securities listed in Hong Kong, at market value		
Opening net book amount	49,583	34,286
Disposal during the year	(49,583)	–
Change in fair value transferred to equity	–	15,297
Closing net book amount	<u>–</u>	<u>49,583</u>

24. HELD-TO-MATURITY INVESTMENTS

	Group and Company	
	2007 HK\$'000	2006 HK\$'000
Debt securities listed in Hong Kong		
At amortised cost		
Non-current	–	11,044
Current	11,050	–
At market value	10,912	10,663

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Non-current				
Derivative financial instrument	–	31,804	–	–
Current				
Derivative financial instrument	27,087	–	–	–
Equity securities listed in Hong Kong	79,426	19,984	–	6
	106,513	19,984	–	6
	106,513	51,788	–	6

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

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
HK dollar	75,160	23,984	–	6
US dollar	31,353	27,804	–	–
	106,513	51,788	–	6

The fair values of financial assets at fair value through profit or loss are based on their current bid prices in active markets.

Notes to the Financial Statements

26. TRADE AND OTHER RECEIVABLE

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivable	1,767,820	950,363	–	–
Less: impairment	(111,503)	(89,880)	–	–
Trade receivable, net	1,656,317	860,483	–	–
Other receivable, prepayments and deposits	171,432	146,166	499	493
	<u>1,827,749</u>	<u>1,006,649</u>	<u>499</u>	<u>493</u>

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 net trade receivable is as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Not yet due	1,380,571	762,661
Less than 30 days	79,578	32,588
31 to 60 days	65,354	22,318
61 to 90 days	37,955	14,366
91 to 180 days	92,859	28,550
	<u>1,656,317</u>	<u>860,483</u>

The trade receivable that is less than six months past due are not considered impaired, of which HK\$275,746,000 (2006: HK\$97,822,000) is past due but not impaired.

26. TRADE AND OTHER RECEIVABLE (Continued)

Trade receivable of HK\$111,503,000 (2006: HK\$89,880,000) 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	55,820	46,728
Over 12 months	55,683	43,152
	<u>111,503</u>	<u>89,880</u>

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

	Group	
	2007 HK\$'000	2006 HK\$'000
HK dollar	1,591,442	813,884
Renminbi	64,875	46,599
	<u>1,656,317</u>	<u>860,483</u>

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

	Group	
	2007 HK\$'000	2006 HK\$'000
At beginning of year	89,880	66,187
Provision for impairment	118,393	66,004
Written off of uncollectible debts	(89,184)	(34,806)
Unused amounts reversed	(7,586)	(7,505)
At end of year	<u>111,503</u>	<u>89,880</u>

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

Notes to the Financial Statements

27. ASSETS HELD FOR SALE

The Group has determined to dispose of certain investment properties with aggregated fair value of HK\$97,926,000 (2006: Nil) as at 31st December 2007. The related secured loans of HK\$51,940,000 (2006: Nil) will be repaid upon completion of the disposal. Accordingly, these assets and liabilities are presented separately in the balance sheet.

28. CASH AND BANK BALANCES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Unrestricted				
Cash at bank and in hand	311,400	196,714	313	114
Short-term bank deposits	721,513	323,110	–	–
	<u>1,032,913</u>	<u>519,824</u>	<u>313</u>	<u>114</u>
Restricted				
Short term bank deposits	13,120	10,000	–	–
	<u>1,046,033</u>	<u>529,824</u>	<u>313</u>	<u>114</u>

The effective interest rate on short-term bank deposits was 3.46 % (2006: 3.81%); these deposits have an average maturity of 6.2 days (2006: 15.3 days).

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

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
HK dollar	774,072	445,865	313	114
Renminbi	257,815	74,244	–	–
Others	14,146	9,715	–	–
	<u>1,046,033</u>	<u>529,824</u>	<u>313</u>	<u>114</u>

29. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000
At 1st January 2006	734,663,425	73,466
Cancellation of repurchased shares (note b)	(2,212,000)	(221)
At 31st December 2006	732,451,425	73,245
Cancellation of repurchased shares (note b)	(1,554,000)	(155)
At 31st December 2007	730,897,425	73,090

- (a) The authorised share capital comprises of 1,000 million shares (2006: 1,000 million shares) with a par value of HK\$0.10 per share (2006: HK\$0.10 per share). All issued shares are fully paid.
- (b) During the year, the Company repurchased and cancelled 1,554,000 (2006: 2,212,000) of its own shares on the Stock Exchange at an aggregated consideration of HK\$7,900,000 (2006: HK\$8,371,000).
- (c) Share options 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 35,586,609 shares, representing 4.87% 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.

Notes to the Financial Statements

29. SHARE CAPITAL (Continued)

(c) Share options of the Company (Continued)

Movements in the number of share options outstanding at the end of year having the following 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	–	–	3.520	3,673,317
Granted	7.858	7,308,974	–	–
Lapsed	–	–	(3.520)	(3,673,317)
At end of year	7.858	7,308,974	–	–

The fair value of the options granted during 2007 determined using the Binomial valuation model is HK\$12,580,000. The valuation was carried out on a market value basis. The significant inputs into the model were share price of HK\$7.18 at the grant date, exercise price of HK\$7.858, dividend yield of 3.23% (based on yearly dividend paid in 2006 and interim dividend paid in 2007), 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 3.271% and 3.311% respectively (the rates represented the yields to maturity of respective Hong Kong Exchange Fund Note as at 22nd October 2007). The volatility of the options is 50.93% and 49.73%.

	2007	
	Exercise price per share HK\$	Number of options
Exercisable period		
1st February 2008 to 31st January 2011	7.858	3,654,487
1st February 2008 to 31st July 2011	7.858	3,654,487
As at 31st December 2007		7,308,974

(d) Share options of Midland IC&I Limited ("Midland IC&I", formerly EVI Education Asia Limited)

On 6th June 2005, Midland IC&I adopted a new share option scheme (the "Scheme") pursuant to an ordinary resolution. Under the Scheme, Midland IC&I may grant options to any employees, senior executives or officers, managers, Directors (including Executive, Non-executive and independent Non-executive Directors) or consultants of Midland IC&I and its subsidiaries, or any other eligible persons, who, as determined by the Directors of Midland IC&I, have contributed or will contribute to the growth and development of the Group to subscribe for shares of Midland IC&I, subject to a maximum of 10% of the nominal value of the issued share capital of Midland IC&I 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 Midland IC&I, and will not be less than the higher of: (i) the nominal value of the shares of Midland IC&I; (ii) the average of the closing price of the shares of Midland IC&I 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.

29. SHARE CAPITAL (Continued)

(d) Share options of Midland IC&I (Continued)

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	–	–	0.06	83,000,000
At end of year	<u>0.06</u>	<u>83,000,000</u>	<u>0.06</u>	<u>83,000,000</u>

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

	2007	
	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
As at 31st December 2007		<u>83,000,000</u>

Notes to the Financial Statements

30. RESERVES

Group

	Share premium HK\$'000	Capital redemption reserve 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 2007	273,062	3,116	(36,995)	1,652	2,356	2,110	810,176	1,055,477
Realised upon disposal of available-for-sales financial assets	-	-	-	-	-	(2,110)	-	(2,110)
Currency translation differences	-	-	-	-	5,092	-	-	5,092
Profit for the year	-	-	-	-	-	-	659,129	659,129
Re-purchase of own shares	(7,745)	155	-	-	-	-	(155)	(7,745)
Reserve arising from group reorganisation	-	-	25,442	-	-	-	-	25,442
Employee share-based benefits	-	-	-	12,580	-	-	-	12,580
2006 final dividend paid	-	-	-	-	-	-	(52,737)	(52,737)
2007 interim dividend paid	-	-	-	-	-	-	(116,944)	(116,944)
At 31st December 2007	265,317	3,271	(11,553)	14,232	7,448	-	1,299,469	1,578,184
Representing:								
Reserves	265,317	3,271	(11,553)	14,232	7,448	-	1,072,891	1,351,606
2007 proposed final dividend (note 15)	-	-	-	-	-	-	153,488	153,488
Special cash bonus proposed (note 15)	-	-	-	-	-	-	73,090	73,090
At 31st December 2007	265,317	3,271	(11,553)	14,232	7,448	-	1,299,469	1,578,184

30. RESERVES (Continued)

Group

	Share premium HK\$'000	Capital redemption reserve 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	281,212	2,895	(36,995)	163	1,402	(13,187)	692,382	927,872
Realised upon disposal of available-for-sales financial assets	-	-	-	-	-	15,297	-	15,297
Currency translation differences	-	-	-	-	954	-	-	954
Profit for the year	-	-	-	-	-	-	149,940	149,940
Re-purchase of own shares	(8,150)	221	-	-	-	-	(221)	(8,150)
Reserve arising from group reorganisation	-	-	-	(401)	-	-	401	-
Employee share-based benefits	-	-	-	1,890	-	-	-	1,890
2005 final dividend paid	-	-	-	-	-	-	(11,755)	(11,755)
2006 interim dividend paid	-	-	-	-	-	-	(20,571)	(20,571)
At 31st December 2006	273,062	3,116	(36,995)	1,652	2,356	2,110	810,176	1,055,477
Representing:								
Reserves	273,062	3,116	(36,995)	1,652	2,356	2,110	757,439	1,002,740
2006 proposed final dividend (note 15)	-	-	-	-	-	-	52,737	52,737
At 31st December 2006	273,062	3,116	(36,995)	1,652	2,356	2,110	810,176	1,055,477

Notes to the Financial Statements

30. RESERVES (Continued)

Company

	Share Premium HK\$'000	Capital redemption reserve 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 2007	273,062	3,116	–	108,001	2,110	297,455	683,744
Realised upon disposal of available-for-sales financial assets	–	–	–	–	(2,110)	–	(2,110)
Profit for the year	–	–	–	–	–	225,476	225,476
Re-purchase of own shares	(7,745)	155	–	–	–	(155)	(7,745)
Employee share base benefits	–	–	12,580	–	–	–	12,580
2006 final dividend paid	–	–	–	–	–	(52,737)	(52,737)
2007 interim dividend paid	–	–	–	–	–	(116,944)	(116,944)
At 31st December 2007	265,317	3,271	12,580	108,001	–	353,095	742,264
Representing:							
Reserves	265,317	3,271	12,580	108,001	–	126,517	515,686
2007 proposed final dividend (note 15)	–	–	–	–	–	153,488	153,488
Special cash bonus proposed (note 15)	–	–	–	–	–	73,090	73,090
At 31st December 2007	265,317	3,271	12,580	108,001	–	353,095	742,264

30. RESERVES (Continued)

Company

	Share Premium HK\$'000	Capital redemption reserve 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	281,212	2,895	163	108,001	(13,187)	329,240	708,324
Change in fair value of available-for-sale financial assets	-	-	-	-	15,297	-	15,297
Profit for the year	-	-	-	-	-	361	361
Re-purchase of own shares	(8,150)	221	-	-	-	(221)	(8,150)
Transfer to retained earnings	-	-	(401)	-	-	401	-
Employee share base benefits	-	-	238	-	-	-	238
2005 final dividend paid	-	-	-	-	-	(11,755)	(11,755)
2006 interim dividend paid	-	-	-	-	-	(20,571)	(20,571)
At 31st December 2006	273,062	3,116	-	108,001	2,110	297,455	683,744
Representing:							
Reserves	273,062	3,116	-	108,001	2,110	244,718	631,007
2006 proposed final dividend (note 15)	-	-	-	-	-	52,737	52,737
At 31st December 2006	273,062	3,116	-	108,001	2,110	297,455	683,744

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 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

31. TRADE AND OTHER PAYABLE

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade payable	1,022,017	393,960	–	–
Other payable and accrual	492,171	327,644	72,906	21,323
	<u>1,514,188</u>	<u>721,604</u>	<u>72,906</u>	<u>21,323</u>

The trade payable represents principally the commissions payable to property consultants, cooperative estate agents. 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\$151,810,000 (2006: HK\$45,600,000) which is due for payment within 30 days, and all the remaining trade payable is not yet due.

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

	2007 HK\$'000	2006 HK\$'000
HK dollar	954,696	359,106
Renminbi	40,441	27,590
Macau Pataca	26,880	7,264
	<u>1,022,017</u>	<u>393,960</u>

32. BORROWINGS

	Group	
	2007 HK\$'000	2006 HK\$'000
Non-current		
Secured bank loans	28,200	10,665
Current		
Secured bank loans	3,376	1,778
Total	<u>31,576</u>	<u>12,443</u>

The bank loans are secured by certain buildings (note 17), investment properties (note 18) and leasehold land and land use rights (note 19) held by the Group.

The Group's borrowings are repayable as follows:

	2007 HK\$'000	2006 HK\$'000
Within 1 year	3,376	1,778
Between 1 and 2 years	3,488	1,778
Between 2 and 5 years	11,204	5,336
Wholly repayable within 5 years	<u>18,068</u>	<u>8,892</u>
Over 5 years	13,508	3,551
	<u>31,576</u>	<u>12,443</u>

Notes to the Financial Statements

32. BORROWINGS (Continued)

The effective interest rates of the bank loans range from 4.95% to 6.98% (2006: 4.86%).

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

	Carrying amount		Fair value	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Secured bank loans	31,576	12,443	31,597	11,950

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.90% to 6.98% (2006: 4.74%).

The Group has the following undrawn borrowing facilities:

	2007 HK\$'000	2006 HK\$'000
Floating rates Expiring within one year	198,781	197,896

33. DEFERRED TAXATION

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deferred taxation assets	(29,176)	(18,434)	(35)	(350)
Deferred taxation liabilities	3,570	750	–	–
	(25,606)	(17,684)	(35)	(350)

33. DEFERRED TAXATION (Continued)

The net movements on the deferred taxation are as follows:

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
At beginning of year	(17,684)	(18,912)	(350)	(438)
Recognised in the income statement (note 13)	(7,922)	1,228	315	88
At end of the year	(25,606)	(17,684)	(35)	(350)

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			Company	
	Provision HK\$'000	Accelerated depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000	Provision HK\$'000
At 1st January 2006	(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)
Recognised in the income statement	(11,181)	67	1,687	(9,427)	315
At 31st December 2007	(15,862)	(4,321)	(8,620)	(28,803)	(35)

Notes to the Financial Statements

33. DEFERRED TAXATION (Continued)

Deferred taxation liabilities

	Group		
	Accelerated depreciation HK\$'000	Fair values HK\$'000	Total HK\$'000
At 1st January 2006	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
Recognised in the income statement	111	1,394	1,505
At 31st December 2007	1,800	1,397	3,197

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\$32,904,000 (2006: HK\$28,766,000) in respect of losses amounting to HK\$174,654,000 (2006: HK\$151,497,000) as at 31st December 2007. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK\$82,770,000 (2006: HK\$61,172,000) will expire from 2008 to 2012 (2006: from 2007 to 2011).

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

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Deferred taxation assets				
Recoverable more than twelve months	(22,812)	(15,711)	(35)	(350)
Recoverable within twelve months	(6,364)	(2,723)	–	–
	<u>(29,176)</u>	<u>(18,434)</u>	<u>(35)</u>	<u>(350)</u>
Deferred taxation liabilities				
Payable or settle after more than twelve months	3,556	519	–	–
Payable or settle within twelve months	14	231	–	–
	<u>3,570</u>	<u>750</u>	<u>–</u>	<u>–</u>

34. CONSOLIDATED CASH FLOW STATEMENT

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

	2007 HK\$'000	2006 HK\$'000
Operating profit	783,239	159,475
Depreciation and amortisation	48,503	63,863
Impairment of property, plant and equipment	168	–
Net realised and unrealised (gains)/loss on derivative financial instrument and available-for-sale financial assets	(25,580)	2,100
Loss on disposal of leasehold land, property, plant and equipment	2,700	4,996
(Gains)/loss on disposal of investment properties	(3,240)	518
Fair value gains on investment properties	(16,410)	(6,913)
Impairment of intangible assets	27,178	–
Gain on disposal of a jointly controlled entity	–	(58)
Gain on disposal of a subsidiary	(698)	(381)
Employee share base benefits	12,580	1,890
Dividend income from listed investments	(2,863)	(3,109)
Operating profit before working capital changes	825,577	222,381
Increase in trade and other receivable	(825,200)	(46,631)
Increase in equity securities	(59,442)	(2,690)
Increase in trade and other payable	793,207	37,485
Net cash generated from operations	734,142	210,545

(b) Business combination

On 2nd March 2007, the Group acquired 100% of the share capital of 廣州市華廣諮詢服務有限公司, an immigration consultancy company. Details of net assets acquired and goodwill as follows:

	2007 HK\$'000
Purchase consideration:	
Cash paid	1,935
Fair value of net assets acquired	(1,560)
Goodwill	375

Notes to the Financial Statements

34. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Business combination (Continued)

The carrying value of assets and liabilities as of 2nd March 2007 arising from acquisition are as follows:

	2007 HK\$'000
Cash and bank balances	1,006
Other receivable, prepayments and deposits	628
Accounts and other payable	(74)
	<u>1,560</u>

An analysis of the net outflow of cash and bank balances in respect of the acquisition of a subsidiary is as follows:

	2007 HK\$'000
Cash and Bank balances acquired	1,006
Cash consideration	(1,935)
	<u>(929)</u>

There was no acquisition during the year ended 31st December 2006.

34. CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Disposal of a subsidiary

	2007 HK\$'000	2006 HK\$'000
Net liabilities disposed of:		
Property, plant and equipment	–	191
Trade and other receivable	–	296
Cash and bank balances	–	218
Trade and other payable	(698)	(1,503)
Minority interests	–	320
	(698)	(478)
Disposal of loan due from a subsidiary	–	263
	(698)	(215)
Gain on disposal	698	381
Consideration	–	166
Satisfied by		
Cash	–	166

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

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

35. CONTINGENT LIABILITIES

At 31st December 2007, the Company executed corporate guarantees amounting to HK\$311,800,000 (2006: HK\$334,800,000). In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries. At 31st December 2007, HK\$97,291,000 of the banking facilities were utilised by the subsidiaries (2006: HK\$16,473,000).

Notes to the Financial Statements

36. FUTURE LEASE RENTAL RECEIVABLE

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

	Group	
	2007 HK\$'000	2006 HK\$'000
Within one year	2,873	949
Between one year and five years	4,873	160
	7,746	1,109

37. COMMITMENTS

(a) Capital commitments

	Group	
	2007 HK\$'000	2006 HK\$'000
Property, plant and equipment Contracted but not provided for	–	5,200

(b) Operating lease commitments

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

	Group	
	2007 HK\$'000	2006 HK\$'000
Within one year	261,856	179,386
Between one year and five years	239,385	93,316
More than five years	6,636	642
	507,877	273,344

38. RELATED PARTY TRANSACTIONS

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

	Note	2007 HK\$'000	2006 HK\$'000
(a) Transactions with related parties			
Agency fee income from related companies	(i)	4,219	1,034
Advertising service income from a jointly controlled entity	(ii)	216	216
Commission expenses paid to a jointly controlled entity	(iii)	10	20
Operating lease rental expenses in respect of office and shop premises to related companies	(iv)	5,207	5,430
(b) Key management compensation			
Salaries and allowances	(v)	112,070	40,561
(c) Loan to a related party	(vi)	198	198

- (i) Agency fee from related companies represents agency fee for property brokerage to certain companies, in which, a Director has beneficial interests of these companies, on terms mutually agreed by both parties.
- (ii) The amount represents advertising services provided to a jointly controlled entity.
- (iii) Commission expenses to a jointly controlled entity represents commission for property brokerage transactions referred by a jointly controlled entity on terms mutually agreed by both parties.
- (iv) The Group entered into certain lease agreements with certain related companies, in which, a Director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (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.

Notes to the Financial Statements

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and place of operation	Interest held %
Subsidiaries				
Astra Profits Limited (notes a and b)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100
Diamond Century Limited	Hong Kong	1 share of HK\$1	Investment holding in Hong Kong	100
Guangzhou Midland Property Agency Company Limited (note b)	The People's Republic of China (as a wholly foreign-owned enterprise)	US\$1,830,000	Property agency in the People's Republic of China	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share of HK\$1	Investment holding in the People's Republic of China	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Midland CyberNet Limited	Hong Kong	39,100,000 shares of an HK\$1 each	operation of internet website in Hong Kong	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares of HK\$1 each	Administration and management in Hong Kong	100
Midland IC&I Limited (formerly known as EVI Education Asia Limited (listed in Hong Kong)	Cayman Islands	8,300,000,000 shares of HK\$0.01 each	Property agency in industrial and commercial (office and shop) properties in Hong Kong	51.81
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and place of operation	Interest held %
Subsidiaries (Continued)				
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100
Midland Realty (Macau) Limited (note b)	Macau	MOP\$25,000	Property agency in Macau	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	100
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares of HK\$1 each 2,000,000 Non-voting deferred shares of HK\$1 each	Investment holding in Hong Kong	100
Midland Realty Consultancy (Shanghai) Company Limited (note b)	The People's Republic of China (as a wholly foreign owned enterprise)	US\$6,650,000	Property agency in the People's Republic of China	100
Midland Realty International Limited	Hong Kong	1,000 shares of HK\$100 each	Property agency in Hong Kong	100
Midland Surveyors Limited	Hong Kong	1,000,000 shares of HK\$1 each	Property valuation in Hong Kong	100
Teston Profits Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
Worldboss Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100
Perfect Tower Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100
Wise Sense Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100

Notes to the Financial Statements

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and place of operation	Interest held %
Subsidiaries (Continued)				
Chorway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100
Chinsura Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100
Kartau Investments Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100
縱橫擔保(深圳)有限公司 (note b)	The People's Republic of China (as a wholly foreign owned enterprise)	US\$5,400,000	Property investment in the People's Republic of China	100
Inspeed Group Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
Hansie Investment Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
美聯物業代理(深圳)有限公司 (note b)	The People's Republic of China (as a wholly foreign owned enterprise)	US\$4,200,000	Property agency in the People's Republic of China	100

Company 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 Investment Limited (note b)	British Virgin Islands	Investment holding in Hong Kong	10%/33.33%/10%

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

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

List of Investment Properties

At 31st December 2007

Location	Lot number	Existing use	Lease term	Group's interest
Room 707, Fortress Tower, No. 250 King's Road, Fortress Hill, Hong Kong	IL8416	Commercial	Medium	100%
Shop No. 42, Sun Hing Garden, No. 2 On Po Lane, Tai Po, New Territories	TPTL 26	Commercial	Medium	100%
Section B of Shops No. 97A on Ground Floor, Nos. 69-119 Broadway, Phase IV of Mei Foo Sun Chuen, Lai Chi Kok, Kowloon	NKIL5087	Commercial	Medium	100%
Units 1202, 1203 and 1204 on 12th Floor of Tower 1, Henderson Centre, Beijing Jianguomen Avenue, Dongcheng District, Beijing, The People's Republic of China	N/A (note)	Commercial	Medium	100%
Portion B of Shop No.110 on the Car Park Level 1 of Podium C of Riviera Gardens, Nos. 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories	TWTL 303	Commercial	Medium	100%
Units K17 and L17 on 17th Floor and Carpark Nos 331 and 341, Pak Tak Tai Ha (Chong Tou) Alameda Dr Carlos D'Assumpcao, Nos 249-263, Macau	N/A (note)	Commercial	Short	100%
Units A3801, A3803, A3805, A3806, A3808, A3809, A3810 and A3812 on Level 38 of Block A, Lianhe Guangchang, at the junction of Bin He North Road and Cai Tin Road, Futian District, Shenzhen, The People's Republic of China	N/A (note)	Commercial	Medium	100%
Level 39, Hong Chang Guangchag, at the junction of Shen Nan Main Road and Wen Jin South Road, Luohu District, Shenzhen, The People's Republic of China	N/A (note)	Commercial	Long	100%
Shop No 1D128 on Level 1, Sun Asia Guo Li Building, No 8 Zhong Hang Road, Futian District, Shenzhen, The People's Republic of China	N/A (note)	Commercial	Long	100%
Shop No 1D188 on Level 1, Sun Asia Guo Li Building, No 8 Zhong Hang Road, Futian District, Shenzhen, The People's Republic of China	N/A (note)	Commercial	Long	100%

Note: Property located in PRC & Macau without lot number.

Five-year Financial Summary

	Year ended 31st December				
	2003	Restated 2004	2005	2006	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Agency fee	1,179,963	1,987,345	2,332,004	1,972,124	3,828,512
Profit attributable to equity holders of the Company	122,749	330,726	213,626	149,940	659,129
Total assets	1,013,415	1,460,398	1,847,152	1,929,216	3,419,615
Total liabilities	441,916	648,123	774,765	734,797	1,715,002
Minority interests	8,355	–	71,049	65,697	53,339
Net assets	563,144	812,275	1,001,338	1,128,722	1,651,274
Total equity	571,499	812,275	1,072,387	1,194,419	1,704,613
Earnings per share-basic (cents)	17.80	47.00	29.20	20.40	90.10
Dividend per share (cents)	6.50	19.30	11.60	10.00	47.00

Note: Certain comparative figures for the year ended 31st December 2004 have been restated to reflect the adoption of new/revised Hong Kong Financial Reporting Standards. The comparative figures for the year ended 31st December 2003 have not been restated as the Directors consider that this would involve undue delay and expense.

