美聯工商舖
MIDLAND IC&I
(459) 香港聯交所上市公司

MIDLAND IC&I LIMITED
美聯工商舖有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
(Stock Code 股份代號：459)

無懼挑戰
領創未來

Annual Report
年報 2008

*For identification purposes only 僅供識別

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BOARD OF DIRECTORS

Executive Directors

Ms. TANG Mei Lai, Metty
(Chairman and Managing Director)
Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent Non-executive Directors

Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric

REMUNERATION COMMITTEE

Ms. TANG Mei Lai, Metty *(Committee Chairman)*
Mr. WONG Tsz Wa, Pierre
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

NOMINATION COMMITTEE

Ms. TANG Mei Lai, Metty *(Committee Chairman)*
Mr. WONG Tsz Wa, Pierre
Mr. YING Wing Cheung, William
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted

COMPANY SECRETARY

Ms. KAM Man Yi, Margaret

QUALIFIED ACCOUNTANT

Mr. SUM Yan Ning, Raymond

AUTHORISED REPRESENTATIVES

Mr. WONG Tsz Wa, Pierre
Ms. KAM Man Yi, Margaret

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1801A
18th Floor, One Grand Tower
639 Nathan Road, Mongkok
Kowloon, Hong Kong

AUDITOR

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
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

HONG KONG LEGAL ADVISERS

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

CAYMAN ISLANDS LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
2nd Floor, Strathvale House
North Church Street
P.O. Box 513
Grand Cayman KY1 – 1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midlandici.com.hk

STOCK CODE

459

BUSINESS REVIEW

Hong Kong's business environment has been adversely affected by the drastic downturn of the global economy since the financial tsunami in September 2008. As a result, Midland IC&I Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") took positive measures immediately to consolidate operations including rationalising the branch network and the size of workforce to sustain business development in 2009. The Group recorded a loss of HK$860,000 for the year ended 31 December 2008.

Property Market Hit By Crisis

The property market had a disappointing year in 2008. Despite a steady performance in the first half of the year, sentiment weakened in the third quarter and had been aggravated by the financial crisis in last September. According to the Land Registry, registrations of non-residential property transactions recorded a 10-year low in the fourth quarter of 2008. With the sluggish market conditions, the Group recorded a 46% decrease in agency fee income to HK$237,792,000.

The industrial and commercial properties and shops sector were hit in particular between September and November last year as the stock market fluctuations dampened the confidence of investors and end-users. During the period, number of transactions dropped sharply because of the shortfall in property valuation and mortgage lending arising from the banking sector's tightened mortgage policy. Last October was the worst performing month in recent years. Property prices registered a double digit decline within these few months while the total consideration of transactions decreased by about 20% to 30% in the fourth quarter.

Higher Risk of Bad Debt

The sharp fall in property prices has increased significantly the risk of bad debt in terms of uncollectible agency fee receivables. During the booming period between 2007 and the first quarter of 2008, a number of property buyers had concluded transactions with a longer settlement period. Given the drastic price correction in the fourth quarter of 2008, many of them forfeited the downpayment to cancel the deals, which subsequently caused an increase in the amount of bad debt suffered by the Group.

Gaining On Major Transactions

Nevertheless, the Group concluded some large-sized property transactions amidst the unfavourable market sentiment in the second half of the year. In the residential sector, the Group also closed a number of deals in the new home sector in partnership with the subsidiaries of the parent company, Midland Holdings Limited.

The Group took decisive steps in response to the dramatic turn of the market. The retail network was streamlined accordingly, reducing the number of branches in the second half of the year. The strategy focused on consolidating branches within the same district to increase management and operational efficiency. For example, a branch in Cheung Sha Wan and another in Kwai Chung were closed. In East Kowloon, the branches in Kowloon Bay and San Po Kong were closed to concentrate business resources in operations around the Kwun Tong area. With the decline in property transactions, the Group has adopted a prudent strategy to consolidate business and raise productivity to cope with the property market downturn. The number of staff was cut back by over 20% in the second half of 2008 and the total operating costs declined in the final quarter.

OUTLOOK

The global economy has plunged into recession, creating uncertainties over the business and investment prospect. It will be full of challenges for the Hong Kong economy in the first half of 2009 and the prospect in the second half will largely hinge on whether or not the United States can recover quickly from the property crisis and the fallout of the credit crunch. China will continue to be the key support to Hong Kong's economic growth so far as the US and Europe are still struggling in the troubled waters.

Investors Wary of Uncertainty

The unfavourable market conditions will inevitably dampen the buying interest and make short-term investors more cautious in entering into deals. However, most of the industrial and commercial property owners face no pressure to sell assets at discounts given their relatively strong holding power and the low interest rate environment. With buyers and sellers adopting a wait-and-see strategy, the Group expects the industrial and commercial properties and shops sector to remain sluggish in the short term since the Group believes office property market will be still affected by many adverse factors.

Improving Productivity and Cost Control

In 2009, the Group will take the initiative to sharpen staff productivity and cut operating costs in accordance with the principle of prudent business management. We will take advantage of the downturn to recruit senior and experienced agents in the industry, and if necessary, will consider further business consolidation such as restructuring the operational scale. At the start of 2009, the Group closed another branch in secondary location and embarked on plans to streamline further the retail network to reduce rental expenses, including cutting back the floor space of its office premises.

1. The Group has been certified "Q-Mark Service Company" by the Federation of Hong Kong Industries.
2. The Group has been accredited the "Brand-with-a-Conscience Certificate" by the Hong Kong Institute of Marketing.
3. The Group became the first real estate being awarded the "Excellent Brand of Commercial Property Agent" in the Hong Kong Leaders' Choice.
4. The Group has been awarded the 2007/08 "Caring Company Logo" by the Hong Kong Council of Social Service.

Looking ahead, the Group will continue to seize opportunities to grow business with the leasing market being a key segment for further development. The property leasing sector has been active for a period of time and this trend is expected to continue in the near term. The leasing activity for shops should benefit from China's further extension of the individual travellers policy. Starting from April, Shenzhen citizen can apply for multiple visas to Hong Kong valid for one year and from May, non-Guangdong citizens living in Shenzhen can apply for tourist permit to visit Hong Kong. The spending of mainland tourists will add fuel to local consumption and the retail property market. Despite the prospect of rising unemployment, the lower and middle-end consumption is unlikely to be hit significantly while the decline in rental costs probably will encourage retailers of basic necessities to explore expansion opportunities and people to start own business. We expect to see continued rental demand for shops that will lend support to the prospect of retail property leasing.

The key objectives for this year are strengthening operational efficiency and maintaining our share in the market. The management of the Group will monitor the market closely and take actions promptly to improve business efficiency and control costs.

Seizing Opportunities

The management is particularly pleased with the Group's successful transferred from the Growth Enterprise Market ("GEM") to the Main Board ("Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2008, which marked a milestone in business development. Regardless of the impact of the global financial crisis, the Group continued to maintain its market position as well as the management's profound expertise and extensive experience. These strengths successfully took the company through the ups and downs of property cycles between 1997 and 2003 including the Asian financial turmoil, the technology bubble burst and the SARS crisis, and enabled the Group to increase competitiveness and enhance its leading position in the industry during tough times. Likewise, the management will take on the challenges positively and explore business opportunities in the latest market downturn.

Over the years, the Group has established close and strong relationships with a large pool of customers including end-users, entrepreneurs and investors. With the management's deep knowledge and experience in the property agency industry, a high level of professional services and the perseverance of staff, the board of directors has full confidence in the future of business development.

APPRECIATION

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

WONG Tsz Wa, Pierre
Executive Director and Chief Executive Officer

Hong Kong, 17 March 2009

Ted HO William YING Metty TANG Pierre WONG Brian TSANG Eric SHA

EXECUTIVE DIRECTORS

Ms. TANG Mei Lai, Metty, aged 53, has been the Chairman and Executive Director of the Company since September 2008. She has also been appointed as Managing Director in October 2008. Ms. TANG is responsible for the Group's overall strategic planning, business development as well as investment strategy and management. Ms. TANG is also the Deputy Chairman and Executive Director of Midland Holdings Limited ("Midland"), the ultimate holding company of the Company and a listed company in Hong Kong since December 2005. Ms. TANG is involved in charity activities and is currently the President and the Honorary Member of Midland Charitable Foundation Limited. Ms. TANG joined Midland and its subsidiaries ("Midland Group") in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Managing Director of Midland and is also the mother of Ms. WONG Ching Yi, Angela, an Executive Director of Midland. Ms. TANG is also the chairman of the remuneration committee and nomination committee of the Company.

Mr. WONG Tsz Wa, Pierre, aged 45, has been the Executive Director and Chief Executive Officer of the Company since June 2007. He is responsible for the Group's overall business strategy and development and implementation of corporate strategies and policy in achieving the overall business objectives. Mr. WONG is also responsible for overseeing the frontline sales force, surveying, public relations and marketing functions of the Group. Mr. WONG joined Midland Group in 1993 and joined the Group in 2007. Mr. WONG holds a bachelor of Law degree and a MBA. He has over 21 years of experience in non-residential property agency business in Hong Kong. Mr. WONG is also the member of the remuneration committee and nomination committee of the Company.

NON-EXECUTIVE DIRECTOR

Mr. TSANG Link Carl, Brian, aged 45, has been the Non-executive Director of the Company since March 2005. He is a practising solicitor in Hong Kong and is a partner of the Hong Kong law firm of Iu, Lai & Li, legal adviser to the Company and Midland. He graduated from King's College, London with a LLB. Degree in 1985. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territory. He is currently an independent non-executive director of another three public companies listed on the Main Board, namely CITIC Resources Holdings Limited, Pacific Century Premium Developments Limited and Walker Group Holdings Limited. In 2005, he has been appointed as an adjudicator of the Registration of Persons Tribunal as well as a member of Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In 2006, he has also been appointed as a member of the Appeal Panel on Housing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 58, has been the Independent Non-executive Director of the Company since May 2005. Mr. YING has over 34 years experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. Mr. YING is currently a managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd. He has been appointed as a member of Guangdong Committee of Chinese People's Political Consultative Conference for the Eighth, Ninth and Tenth Terms since 1998 to 2013. Mr. YING was also a member of Jiangmen Committee of Chinese People's Political Consultative Conference for the Eighth Term and the Ninth Term since 1993 to 2003. Mr. YING serves in many social organizations, he is currently a president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. YING is also a member of audit committee, remuneration committee and nomination committee of the Company.

Mr. SHA Pau, Eric, aged 51, has been the Independent Non-executive Director of the Company since March 2006. Mr. SHA is the founder of and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. Mr. SHA has over 23 years of solid experience in international marketing field and is now specified in corporate strategy formulation and overall management and marketing. He holds a bachelor's degree in arts from University of Windsor, Ontario, Canada. Mr. SHA is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. HO Kwan Tat, Ted, aged 44, has been the Independent Non-executive Director of the Company since December 2007. Mr. HO is a practicing Certified Public Accountant in Hong Kong and is now a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the HKICPA. He has extensive experience in audit and taxation. Mr. HO is currently also an independent non-executive director of another company listed on the Main Board, namely SunCorp Technologies Limited. Mr. HO was an independent non-executive director of two Main Board listed companies during last three years, namely CIAM Group Limited and The Sun's Group Limited. Mr. HO is also the chairman of the audit committee and a member of remuneration committee and nomination committee of the Company.

MANAGEMENT EXECUTIVES

Mr. LO Chin Ho, Tony, aged 46, is the Chief Operation Officer of Industrial, Commercial and Shops Division of the Group and is also the Sales Director of Shops Department under the Division. He has over 16 years of experience in non-residential property agency business, specializing in shops property, in Hong Kong.

Mr. WONG Hon Shing, Daniel, aged 45, is the Sales Director of Commercial Department under the Industrial, Commercial and Shops Division of the Group. He has over 19 years of experience in non-residential property agency business, specializing in commercial property, in Hong Kong.

Mr. CHAN Wai Chi, Alvan, aged 45, is the Sales Director of Industrial and Commercial Department under the Industrial, Commercial and Shops Division of the Group. He has over 23 years of experience in non-residential property agency business, specializing in industrial property, in Hong Kong.

Mr. SUM Yan Ning, Raymond, aged 47, is the Financial Controller of the Company. He is responsible for the Group's financial management and treasury operation. He has over 20 years of experience in the field of auditing, accounting and finance. Mr. SUM is an associate member of the HKICPA and a fellow member of Association of Chartered Certified Accountants.

The board of directors of the Company (the "Board" or the "Directors") believes that a sound and effective corporate governance can maximize the shareholders' value of the Company. The Company is committed to maintain good standard of corporate governance practices and procedures.

CORPORATE GOVERNANCE PRACTICES

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 on the Stock Exchange (the "Main Board Listing Rules") and Appendix 15 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") (Collectively referred to as the "Listing Rules") throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

(i) Board Responsibilities

The Board has the responsibility for management of the Company, which includes formulating business strategies, 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 daily management, administration and operation of the Company are delegated to the management of the Company. All Directors have full and timely access to all relevant information at all times and they may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary who is responsible to the Board of Directors for providing Directors with board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with.

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

(ii) Board Composition

The Board currently comprises six directors with two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The composition of the Board is set out as follows:–

Executive Directors
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Chief Executive Director)*

Non-executive Director
Mr. TSANG Link Carl, Brian

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

The biographical details of the Directors are set out in the section of "Profile of Directors and Management Executives" on pages 6 to 8 of this annual report. None of the members of the Board is related to one another.

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

BOARD OF DIRECTORS (Continued)

(iii) Chairman and Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are Ms. TANG Mei Lai, Metty and Mr. WONG Tsz Wa, Pierre respectively. The roles of the Chairman and the Chief Executive Officer are distinctive. The Chairman of the Company is responsible for the overall strategic planning, business development and investment strategy and management of the Group. The Chief Executive Officer of the Company is responsible for overall business strategy and development, implementation of strategy and policy in achieving the overall commercial objectives.

(iv) Re-election and Retirement of the Directors

The Articles of Association of the Company provide that (i) each Director is required to retire by rotation at least once every three years and that one-third (or, if their number is not a multiple of three(3), the number nearest to but not less than one-third) of the Directors shall retire from office by rotation and be eligible for re-election at each annual general meeting ("AGM") of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office only until the next following AGM of the Company and shall be eligible for re-election at that meeting.

(v) Independent Non-executive Director

The Company has obtained from each of Independent Non-executive Director the written confirmation of independence and considered them to be independent of the Company and free of any relationship that could materially interfere with the exercise of their independent judgment.

The term of office of all Non-executive Directors, include Independent Non-executive Directors, have been fixed for a specific term of one year. They are subject to the retirement by rotation and shall be eligible for re-election at least once every three years. They have already been expressly identified as such in all corporate communications.

Throughout the year ended 31 December 2008 and up to the date of this report, 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 has appropriate professional qualifications and accounting expertise under the Listing Rules.

(vi) Number of Meetings and Directors' Attendance

The full Board meets in person regularly, normally quarterly, and on other occasions when a Board decision is required on major issues. During the year ended 31 December 2008, the Board met six times. Individual attendance records of each Directors at the respective Board and committee meetings are set out in the table on page 12 of this annual report.

(vii) Practices and Conduct of Meetings

Regular Board meeting of the year ended 31 December 2008 are scheduled in advance with at least 14 days notice is given to all Directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are observed. The board papers are generally sent in full to Directors at least 3 days before meeting.

BOARD COMMITTEES

Four specialized committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee, have been set up under the Board, for overseeing particular aspects of the Company's affairs.

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. The Executive Committee comprises two members include Ms. TANG Mei Lai, Metty and Mr. WONG Tsz Wa, Pierre.

BOARD COMMITTEES (Continued)

Audit Committee

The Audit Committee comprises three members and is now chaired by Mr. HO Kwan Tat, Ted, other members include Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all of them are Independent Non-executive Directors. Mr. HO Kwan Tat, Ted, is a qualified accountants and has an extensive experience in professional accounting. The Board expects the Audit Committee members to exercise independent judgment in conducting the business of the Audit Committee.

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

During the year of 2008, three Audit Committee meetings were held. Other members of the management and the external auditors of the Company were invited to join the discussion of the Audit Committee meetings.

Remuneration Committee

The Remuneration Committee is now chaired by Ms. TANG Mei Lai, Metty, with other four members namely Mr. WONG Tsz Wa, Pierre, Mr. HO Kwan Tat, Ted, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William. The Remuneration Committee generally meets at least once every year and when considered necessary.

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

The work of the Remuneration Committee during the year ended 31 December 2008 included reviewing the remuneration policy of the Group and approving the remuneration packages of new Directors. During the year of 2008, two Remuneration Committee meetings were held.

Nomination Committee

The Nomination Committee is now chaired by Ms. TANG Mei Lai, Metty, with the other four members namely Mr. WONG Tsz Wa, Pierre, Mr. HO Kwan Tat, Ted, Mr. SHA Pau, Eric and Mr. YING Wing Cheung, William. The Nomination Committee generally meets at least once every year and when considered necessary.

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

The work of the Nomination Committee during 2008 included reviewing the Board composition and reviewing and making recommendation to the Board on appointment of new Directors. During the year of 2008, two Nomination Committee meetings were held.

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 31 December 2008 are set out in the following table:–

Directors	Board	No. of Meetings Attended/Held Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Ms. TANG Mei Lai, Metty (Note 1)	0/6	N/A	0/2	0/2
Mr. WONG Tsz Wa, Pierre (Note 2)	6/6	N/A	0/2	0/2
Ms. WONG Ching Yi, Angela (Note 3)	2/6	N/A	N/A	N/A
Ms. IP Kit Yee, Kitty (Note 4)	6/6	N/A	2/2	2/2
Ms. YUEN Wing Kwan, Annie (Note 5)	4/6	N/A	1/2	1/2
Non-executive Director				
Mr. TSANG Link Carl, Brian	6/6	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. YING Wing Cheung, William	6/6	3/3	2/2	2/2
Mr. SHA Pau, Eric	6/6	3/3	2/2	2/2
Mr. HO Kwan Tat, Ted (Note 6)	5/6	3/3	1/2	1/2
Mr. KOO Fook Sun, Louis (Note 7)	4/6	2/3	1/2	1/2

Notes:

1. Ms. TANG Mei Lai, Metty was appointed as Executive Director on 22 September 2008 and appointed as chairman and member of Remuneration Committee and Nomination Committee on 25 October 2008.

2. Mr. WONG Tsz Wa, Pierre was appointed as member of Remuneration Committee and Nomination Committee on 24 December 2008.

3. Ms. WONG Ching Yi, Angela resigned as Executive Director on 20 March 2008.

4. Ms. IP Kit Yee, Kitty resigned as Executive Director and chairman and member of Remuneration Committee and Nomination Committee on 25 October 2008.

5. Ms. YUEN Wing Kwan, Annie was appointed as Executive Director and member of Remuneration Committee and Nomination Committee on 20 March 2008 and thereafter resigned the same on 24 December 2008.

6. Mr. HO Kwan Tat, Ted, was appointed as chairman of Audit Committee and member of Remuneration Committee and Nomination Committee on 24 June 2008.

7. Mr. KOO Fook Sun, Louis resigned as Independent Non-executive Director, chairman and member of Audit Committee and member of Remuneration Committee and Nomination Committee on 24 June 2008.

SUPPORT FOR DIRECTORS

All Directors must keep abreast for their collective responsibilities. The Company encourages the Directors to join the relevant seminars organized by the other professional institutions for assisting them to develop and refresh their knowledge and skills. The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements in order to ensure compliance and enhance their awareness of good corporate governance practices.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 Main Board Listing Rules (the "Model Code") and required standard of dealing as contained in Chapter 5 of the GEM Listing Rules (the "Required Standard") respectively. The Board has also adopted a policy with no less exacting terms than the Model Code and the Required Standard for the relevant employees in respect of their dealings in securities of the Company and of its listed parent company.

Having made specific enquiries, the Company confirms that all Directors have complied with the required standard as set out in the Model Code and the Required Standard during the year ended 31 December 2008.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flows for the year ended 31 December 2008. In preparing the financial statements for the year ended 31 December 2008, the Directors have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Report of the Independent Auditor's Report on page 23 of this report.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been re-appointed as the Company's independent external auditors by the shareholders of the Company at the last annual general meeting. The remuneration paid to the independent external auditor in respect of the audit and non-audit services provided to the Company and its major subsidiaries for the year ended 31 December 2008 amounted approximately to HK$755,000 (2007: HK$755,000) and HK$4,558,000 (2007: HK$1,288,000) respectively. The non-audit services mainly comprised professional services rendered in connection with the transfer of listing of the Company from GEM to the Main Board during the year ended 31 December 2008.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining effective internal control system of the Group. The internal audit department of the Company, reports directly to the Audit Committee and is independent of the Company's daily operations. They are 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 ended 31 December 2008, the Board, through internal audit department, conducts annual review on the effectiveness of the Group's system of internal control and reports the key findings to the Audit Committee and the Board. The review covers all material controls, including financial, operational and compliance controls and risk management functions.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Procedures for the rights of the shareholders to demand a poll voting on resolutions at shareholders' meetings are included in all circulars to shareholders of the Company and will be explained during the proceedings of shareholders' meetings. Pursuant to the new Listing Rules became effective on 1 January 2009, all votes of the shareholders at a general meeting must be taken by poll and 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.

The Company provides an opportunity for their shareholders to seek clarification and to obtain a better understanding of the Group's performance in the shareholders' meetings of the Company. Shareholders are encouraged to meet and communicate with the Board at the shareholder meeting and to vote on all resolutions.

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

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company is investment holding. The activities of its principal subsidiaries are set out in note 32 to the financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2008 by business segments are set out in note 6(b) to the financial statements.

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

ADOPTION OF NEW ARTICLES OF ASSOCIATION

In connection with the successful transfer of listing of shares of the Company from GEM to the Main Board on 18 August 2008, a new Articles of Association of the Company has been adopted and approved by its shareholders at an extraordinary general meeting held on 19 September 2008.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statements on page 24 of this report. The Board does not recommend the payment of any dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2008 are set out in note 25 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounted to HK$527,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2008 are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2008, the reserves of the Company available for distribution to shareholder comprised the share premium, contributed surplus and accumulated losses which in aggregate amounted to HK$21,699,000. Under the Companies Law (Revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's Articles of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 60 of this report.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2008.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2008 and up to the date of this report are:

Executive Directors

Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*	(appointed on 22 September 2008)
Mr. WONG Tsz Wa, Pierre *(Chief Executive Officer)*	
Ms. WONG Ching Yi, Angela	(resigned on 20 March 2008)
Ms. IP Kit Yee, Kitty	(resigned on 25 October 2008)
Ms. YUEN Wing Kwan, Annie	(appointed on 20 March 2008 and thereafter resigned on 24 December 2008)

Non-executive Director

Mr. TSANG Link Carl, Brian

Independent Non-executive Directors

Mr. YING Wing Cheung, William	
Mr. SHA Pau, Eric	
Mr. HO Kwan Tat, Ted	
Mr. KOO Fook Sun, Louis	(resigned on 24 June 2008)

According to Article 86 of the Company's Articles of Association, Ms. TANG Mei Lai, Metty shall retire at the forthcoming annual general meeting but, being eligible, offer herself for re-election.

According to Article 87 of the Company's Articles of Association, Mr. TSANG Link Carl, Brian and Mr. SHA Pau, Eric shall retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

As at the date of this report, the Independent Non-executive Directors, namely Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, were appointed for a one-year term expiring on 16 May 2009, 12 March 2010 and 11 December 2009 respectively.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANT

No contracts of significance in relation to the Group's business to which the Company was a party and in which a Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2008.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be recorded in the register to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

	Number of shares of the Company					
Name of director	Personal Interests	Family Interests	Corporate Interests	Equity Derivative (Share Option)	Total	Percentage of shareholding
Mr. WONG Tsz Wa, Pierre	2,000,000	–	–	–	2,000,000	0.02%
Mr. TSANG Link Carl, Brian	–	–	–	83,000,000 (Note 1)	83,000,000	1.00%

		Number of shares of the associated corporation of the Company					
Company Name	Name of director	Personal Interests	Family Interests	Corporate Interests	Equity Derivative (Share Option)	Total	Percentage of shareholding
Midland Holdings Limited	Ms. TANG Mei Lai, Metty	–	96,568,144 (Note 2)	–	–	96,568,144	13.33%

Note:

1. As disclosed in the section of "Share Option Scheme" in this report, these share options were granted under the 2005 Share Option Scheme to Mr. TSANG Link Carl, Brian on 16 January 2006 for the subscription of total 83,000,000 shares of the Company at the exercise price of HK$0.06 each.

2. Such shares represent the shares held by Mr. Wong Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner in the shares of Midland Holdings Limited, the associated corporation of the Company.

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

Saved as disclosed above, none of the Directors, nor chief executive of the Company had or deemed to have any interests or short positions in the shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2008.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Number of issued shares	Number of underlying shares	Capacity in which shares are held	Percentage of the issued capital
Midland	4,300,000,000	5,400,000,000 (Note 1)	Interest in controlled corporation	116.87%
Tretsfield Investments Limited ("Tretsfield")	–	5,400,000,000 (Note 1)	Beneficial owner	65.06%
Mr. Pong Wai San, Wilson ("Mr. PONG")	910,610,000 (Note 2)	–	Beneficial owner and interest in controlled corporation	10.97%
Ms. Tung Ching Yee, Helena ("Ms. TUNG")	910,610,000 (Note 3)	–	Interest of spouse	10.97%
Summerview Enterprises Limited ("Summerview")	660,000,000 (Note 4)	–	Beneficial owner	7.95%

Notes:

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

2. 660,000,000 shares were registered in the name of and beneficially owned by Summerview and 250,610,000 shares were registered in the name of Mr. PONG. The entire issued share capital of Summerview was registered in the name of and beneficially owned by Mr. PONG.

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

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

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

SHARE OPTION SCHEMES

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

Pursuant to the Company transferred its listing of its shares from GEM to the Main Board on 18 August 2008, the Company adopted a new Share Option Scheme (the "2008 Share Option Scheme") in compliance with the Main Board Listing Rules at the Company's extraordinary general meeting held on 19 September 2008. The 2005 Share Option Scheme has been terminated and no further options under this scheme has been granted thereunder upon the adoption of 2008 Share Option Scheme. The termination of the 2005 Share Option Scheme would not prejudice the outstanding options granted under such scheme.

The major terms of the 2008 Share Option Scheme are summarized as follows:

1. Major Terms of the 2008 Share Option Scheme

(a) *Purposes of the 2008 Share Option Scheme*

The principal purposes of the 2008 Share Option Scheme are to enable the Group and its invested entities to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or invested entities, to recognise the contributions of the eligible persons to the growth of the Group or invested entities by rewarding them with opportunities to obtain ownership interest in the Company and to motivate and give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or invested entities.

(b) *Participants of the 2008 Share Option Scheme*

The Board may invite any eligible person as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group or invested entity, to take up the options under this scheme.

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

Total number of shares available for issue is 830,000,000 representing 10% of the issued share capital of the Company as at the date of this report.

(d) *Maximum entitlement of each eligible person*

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

Any further grant of share options in excess of the abovementioned limit shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland, the shareholders of Midland in their respective general meeting with such eligible person and his associates abstaining from voting and or other requirements prescribed under the Main Board Listing Rules and other applicable statutory regulations or rules must be complied with.

(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 2008 Share Option Scheme and any other share option schemes of the Company to each eligible person who is an independent non-executive director or substantial shareholder of the Company, in any 12-month period shall not exceed 0.1% of the shares in issue and an aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK$5,000,000.

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

SHARE OPTION SCHEMES (Continued)

1. Major Terms of the 2008 Share Option Scheme (Continued)

(f) *Time of exercise of option*

The 2008 Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption, after which no further options shall be granted. The options which are granted during the life of the Share Option Scheme may, however, continue to be exercisable in accordance with their terms of issue and, for such purposes only, the provisions of the 2008 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 2008 Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an eligible person but shall not be less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(h) *Remaining life of the 2008 Share Option Scheme*

The 2008 Share Option Scheme became effective on 19 September 2008 and will remain in force for a period of 10 years from the date of adoption.

2. Movements of share options during the Year

During the year ended 31 December 2008, no share options had been granted, exercised or lapsed under the 2008 Share Option Scheme. Details of the outstanding share options granted to Mr. TSANG Link Carl, Brian, an non-executive Director of the Company, under the 2005 Share Option Scheme of the Company are as follows:–

			Number of share options				
Name	Date of grant	Exercise price HK$	Balance outstanding as at 1 January 2008	Options granted during the year	Exercised/ cancelled/ lapsed during the year	Outstanding as at Balance 31 December 2008	Exercisable period
Mr. TSANG Link Carl, Brian	16 January 2006	0.06	41,500,000	–	–	41,500,000	1 April 2006 to 31 March 2009
	16 January 2006	0.06	41,500,000	–	–	41,500,000	1 June 2006 to 31 May 2009
						83,000,000	

CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

Save as disclosed under the section of "Share Option Scheme" above and the Convertible Notes issued by Company as part of consideration of an acquisition disclosed in the Company's circular dated 7 May 2007, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year ended 31 December 2008.

Purchases from the Group's five largest suppliers also accounted for less than 30% of the Group's total purchases for the year ended 31 December 2008.

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 31 to the financial statements.

Some of these transactions also constitute connected transactions (including continuing connected transactions) under the Listing Rules, as identified below.

CONNECTED TRANSACTIONS

On 6 June 2007, the Company entered into a cross referral services agreement (the "Cross Referral Services Agreement") with Midland in relation to cross-referral services provided between the relevant members of the Midland Group and of the Group for the estate agency business, whereby the relevant members of the Midland Group may refer estate agency business in respect of industrial and commercial (office and shops) properties to the Group from time to time, and the Group may refer estate agency business in respect of residential properties to the relevant members of Midland Group from time to time (the "Transactions"). The Transactions are conducted on a case-by-case basis and are on normal commercial terms. The abovementioned agreement constituted non-exempt continuing connected transactions (the "Continuing Connected Transactions") for the Company under the Listing Rules and the Transactions and the relevant annual caps were approved by the independent shareholders of the Company on 31 May 2007.

With the continued development of the Group and based on internal estimates of the demand under, and the operating conditions in respect of the Transactions, it was expected that the original annual caps in respect of 2008 and 2009 for the Transactions would not be sufficient for the Group's requirements and therefore, it was proposed to revise the original annual caps ("Revised Caps") for the Transactions for the two years ending 31 December 2008 and 2009 with a buffer to allow more flexibility. By taking into account of the abovementioned reasons, the Company has on 15 May 2008 obtained the independent shareholders's approval of the Company for the Revised Caps.

In connection with the above, the annual caps for the referral fees payable by the Group to Midland Group under the Cross Referral Services Agreement for the year ending 31 December 2008 and 2009 have been revised from both HK$50 million to HK$60 million. The annual caps for the referral fees receivable by the Group from Midland Group under the Cross Referral Services Agreement for the year ending 31 December 2008 and 2009 have been revised from both HK$14 million to HK$50 million. Details of the Revised Caps were set out in the announcement and circular of the Company dated 7 April 2008 and 28 April 2008 respectively.

The above Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors of the Company who have 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 shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (Continued)

The auditors of the Company have performed certain procedures on the Continuing Connected Transactions and have reported to the Board that the Continuing Connected Transactions:

(i) have been received the approval of the Board of the Company;

(ii) have been entered into in accordance with the terms as set out in the Cross Referral Services Agreement; and

(iii) have not exceeded the annual caps as disclosed in the relevant circular.

RETIREMENT PLANS

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2008 are set out in note 32 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Group has no borrowings as at 31 December 2008.

EMOLUMENT POLICY

The emoluments of the Directors 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

Having made specific enquiries, the Company confirms that 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.

AUDITOR

The financial statements of the Company for the year ended 31 December 2008 have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

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

Hong Kong, 17 March 2009

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group maintained healthy financial position with cash and bank deposits of HK$180,374,000.

The Group generally finances its operations and investing activities with internally generated cash flows. As at 31 December 2008, the Group had net current assets of HK$187,247,000, including cash and bank deposits of HK$180,374,000. There were non-current liabilities of HK$16,706,000. The Group did not have any bank borrowings and pledged its fixed deposits of HK$216,000 as at 31 December 2008. The gearing ratio, which represents the percentage of long term borrowings over total equity of the Group as at 31 December 2008, was 9.5%. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 4.5. The Directors believe that the existing financial resources of the Group are sufficient to fulfill its commitments, current working capital requirements and further development.

TRANSFERRED LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE

On 3 April 2008, the Company filed an application with the Stock Exchange for the proposed listing of the shares of the Company on the Main Board of the Stock Exchange (the "Main Board Listing") by way of introduction. The Directors believed that the Main Board Listing will enhance the profile of the Group and improve trading liquidity of the shares of the Company. The Directors also considered that the Main Board Listing would be beneficial to the future growth, financing flexibility and business development of the Group.

On 2 May 2008, the Stock Exchange announced the streamlined transfer arrangements from GEM to Main Board be effected on 1 July 2008. The Company decided to proceed with the Main Board Listing under the streamlined transfer of listing arrangements and an announcement to advise update development of Main Board Listing was made on 21 May 2008. The Directors considered that it was in the interests of the Company as it should allow the Company to achieve its Main Board listing objective, at a considerable lower cost, both financially and in terms of manpower resources. On 4 July 2008, the Company submitted a formal application for the Main Board Listing under the new transfer of listing arrangements pursuant to the revised Listing Rules.

On 8 August 2008, the Listing Committee of the Stock Exchange granted an approval in principle of the Main Board Listing to the Company and then the listing of shares of the Company was successfully transferred from GEM to the Main Board on 18 August 2008.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

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

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

CONTINGENT LIABILITIES

At 31 December 2008, the Company executed corporate guarantees amounting to HK$35,500,000 as the securities for general banking facilities extended to a wholly-owned subsidiary. As at 31 December 2008, none of the banking facilities were utilised by the subsidiary.

EMPLOYEE INFORMATION

As at 31 December 2008, the Group employed 475 full-time employees. Employee costs (including directors' remuneration) were HK$133,644,000.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. On staff development, both in-house and external training and development programmes are conducted on a regular basis.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 59, which comprise the consolidated and company balance sheets as at 31 December 2008, 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.

Directors' responsibility 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.

Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows 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, 17 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	6	257,598	464,405
Other income, net	7	357	167
Staff costs	8	(133,644)	(234,400)
Rebate commissions		(19,932)	(34,666)
Advertising and promotion expenses		(14,825)	(16,231)
Operating lease charges in respect of office and shop premises		(14,386)	(13,705)
Impairment of receivables		(33,847)	(28,741)
Depreciation		(2,945)	(3,545)
Other operating costs		(37,449)	(41,518)
Operating profit	10	927	91,766
Finance income	11	3,040	5,580
Finance costs	11	(1,322)	(1,077)
Profit before taxation		2,645	96,269
Taxation	12	(3,505)	(18,285)
(Loss)/profit for the year		(860)	77,984
Attributable to:			
Equity holders		(607)	78,449
Minority interests		(253)	(465)
		(860)	77,984
Earnings per share	15	HK cent	HK cent
Basic		0.003	0.578
Diluted		0.003	0.576

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	3,244	4,780
Deferred taxation assets	21	1,643	4,635
		4,887	9,415
Current assets			
Trade and other receivables	22	52,487	227,444
Financial assets at fair value through profit or loss	19	110	2,550
Taxation recoverable		7,280	1,143
Cash and bank balances	23	180,374	143,291
		240,251	374,428
Total assets		245,138	383,843
EQUITY AND LIABILITIES			
Equity holders			
Share capital	24(a)	83,000	83,000
Reserves	25	92,428	93,077
		175,428	176,077
Minority interests		–	253
Total equity		175,428	176,330
Non-current liabilities			
Convertible notes	26	16,705	20,815
Deferred taxation liabilities	21	1	13
		16,706	20,828
Current liabilities			
Trade and other payables	27	52,661	172,847
Taxation payable		343	13,838
		53,004	186,685
Total liabilities		69,710	207,513
Total equity and liabilities		245,138	383,843
Net current assets		187,247	187,743
Total assets less current liabilities		192,134	197,158

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	18	642,608	642,608
Current assets			
Amounts due from subsidiaries	20	20,084	20,027
Cash and bank balances	23	69	1
		20,153	20,028
Total assets		662,761	662,636
EQUITY AND LIABILITIES			
Equity holders			
Share capital	24(a)	83,000	83,000
Reserves	25	540,703	554,097
Total equity		623,703	637,097
Non-current liabilities			
Convertible notes	26	16,705	20,815
Current liabilities			
Amounts due to subsidiaries	20	21,249	3,906
Other payables and accruals	27	1,104	818
		22,353	4,724
Total liabilities		39,058	25,539
Total equity and liabilities		662,761	662,636
Net current (liabilities)/assets		(2,200)	15,304
Total assets less current liabilities		640,408	657,912

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash generated from operations	28(a)	63,600	188,168
Hong Kong profits tax paid		(20,157)	(11,115)
Interest paid		(1,322)	(2,910)
Net cash from operating activities		42,121	174,143
Cash flows from investing activities			
Acquisition of a subsidiary		–	(100,000)
Proceeds from disposal of property, plant and equipment		–	2
Purchase of property, plant and equipment		(3,881)	(2,771)
Purchase of financial assets at fair value through profit or loss		(1,124)	(5,956)
Proceeds from disposal of financial assets at fair value through profit or loss		961	7,651
Bank interest received		3,040	5,580
Dividend received		76	–
Net cash used in investing activities		(928)	(95,494)
Cash flows from financing activities			
Interest paid on convertible notes		(4,110)	–
Dividends paid		–	(55,000)
Net cash used in financing activities		(4,110)	(55,000)
Net increase in cash and cash equivalents		37,083	23,649
Cash and cash equivalents at beginning of year		143,291	119,642
Cash and cash equivalents at end of year	23	180,374	143,291

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK$'000	Other reserves HK$'000	Equity holders HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	**83,000**	**93,077**	**176,077**	**253**	**176,330**
Currency translation differences	**–**	**(42)**	**(42)**	**–**	**(42)**
Loss for the year	**–**	**(607)**	**(607)**	**(253)**	**(860)**
Total recognised expense for the year	**–**	**(649)**	**(649)**	**(253)**	**(902)**
At 31 December 2008	**83,000**	**92,428**	**175,428**	**–**	**175,428**
At 1 January 2007	83,000	137,264	220,264	718	220,982
Currency translation differences	–	12	12	–	12
Profit for the year	–	78,449	78,449	(465)	77,984
Total recognised income/(expense) for the year	–	78,461	78,461	(465)	77,996
Reserve arising from the Acquisition (note 1)	–	(640,000)	(640,000)	–	(640,000)
Issue of convertible notes	–	517,352	517,352	–	517,352
	–	(122,648)	(122,648)	–	(122,648)
At 31 December 2007	83,000	93,077	176,077	253	176,330

1. GENERAL INFORMATION

Midland IC&I Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and listed in Hong Kong. On 18 August 2008, the Company transferred the listing of its shares from Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal office in Hong Kong is Room 1801A, 18th Floor, One Grand Tower, 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

On 6 June 2007, the Company completed the acquisition of the entire interest in Ketanfall Group Limited ("Ketanfall"), a holding company of a group of companies principally engaged in the business of industrial and commercial properties and shops property agency from Midland Holding Limited ("Midland"), the ultimate holding company of the Company (the "Acquisition").

The principal activities of the Company and its subsidiaries (collectively the "Group") are provision of property agency services in respect of commercial and industrial properties and shops in Hong Kong.

These financial statements have been approved by the Board of Directors on 17 March 2009.

2. BASIS OF PREPARATION

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

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

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

(ii) In 2008, the Group adopted HK(IFRIC)-Interpretation 11 "HKFRS 2 – Group and Treasury Share Transactions" issued by the HKICPA which is relevant to the Group's operations. The adoption of this interpretation did not have any significant effect on the results and financial position or changes in the accounting policies of the Group.

The following new or revised standard and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, relevant to the Group and have not been early adopted:

Effective for the year ending 31 December 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 1 Amendment	Presentation of Financial Statements
HKAS 16 Amendment	Property, Plant and Equipment
HKAS 19 Amendment	Employee Benefits
HKAS 23 Amendment	Borrowing Costs
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 36 Amendment	Impairment of Assets
HKAS 38 Amendment	Intangible Assets
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellation
HKFRS 8	Operating Segments

2. BASIS OF PREPARATION (Continued)

(ii) (Continued)

Effective for the year ending 31 December 2010

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HKFRS 3 (Revised)	Business Combination
HKFRS 5 Amendment	Non-current Assets held for Sale and Discounted Operations

The Group is assessing the impact of these new or revised standards and amendments. The adoption of these new or revised standards and amendments does not have significant impact on the Group's financial statements except for certain changes in presentation and disclosures.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Merger accounting for common control combination

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

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

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

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

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

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

(b) Subsidiaries

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Subsidiaries (Continued)

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

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment

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

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

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

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

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

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

(f) Impairment of non-financial assets

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

(g) Financial assets

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

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

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

(ii) Loans and receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial assets (Continued)

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

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

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

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

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables 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 receivables. Subsequent recoveries of amounts previously written off are credited against other operating costs in the income statement.

(i) Cash and cash equivalents

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

(j) Share capital

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Trade and other payables

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

(l) Taxation

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

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

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

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

(m) Employee benefits

(i) *Employee leave entitlements*

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

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

(ii) *Retirement scheme obligations*

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

(iii) *Share-based compensation*

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Provisions

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

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

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

(o) Convertible notes

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

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

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

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

(p) Revenue recognition

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

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

Internet education and related services involving 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. Services and training income are recognised when the related services are rendered.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Operating leases

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

(r) Dividend distribution

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

(s) Contingent liabilities

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

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

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Credit risk

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

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

Cash and bank balances are deposits in banks with sound credit ratings. Given their sound credit ratings, the Group does not expect to have high credit risk in this aspect.

Under the current circumstances of the global financial turmoil, the Group would tighten its credit control procedures and policies to minimise the credit exposure of the Group.

(ii) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been increased or decreased by 50 basis points and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK$380,000 (2007: HK$592,000) for the year ended 31 December 2008.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any borrowings or credit facilities utilised during the year. The Group maintains its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations and will consider to finance major capital investment, such as application of mortgage loans on acquisition of properties.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) *Liquidity risk* (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	Less than one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000
At 31 December 2008			
Trade and other payables	52,661	–	–
Convertible notes	5,400	5,400	8,100
At 31 December 2007			
Trade and other payables	172,847	–	–
Convertible notes	5,400	5,400	13,500

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group will consider macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through bank borrowings as necessary. In light of the recent global financial turmoil, the Group will continue to adopt a prudent approach in managing its capital.

(c) Fair value estimation

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Impairment of trade receivables

The management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. The management assesses the recoverable amount of each individual trade receivables whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of fallen through on the transactions.

Management reassesses the provision at each balance sheet date.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2008 HK$'000	2007 HK$'000
Turnover		
Agency fee	237,792	440,883
Internet education and related services	19,806	23,522
	257,598	464,405

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information

The Group is organised into three main business segments including property agency businesses in respect of commercial and industrial properties and shops and other business mainly includes the provision of internet education and related services.

	Year ended and as at 31 December 2008				
	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Revenue	104,457	47,870	85,465	19,806	257,598
Segment results	12,021	1,861	4,375	(4,856)	13,401
Unallocated costs					(12,474)
Operating profit					927
Finance income					3,040
Finance costs					(1,322)
Profit before taxation					2,645
Taxation					(3,505)
Loss for the year					(860)
Segment assets	19,224	34,445	18,711	14,747	87,127
Unallocated assets					158,011
Total assets					245,138
Segment liabilities	18,621	16,561	12,828	3,403	51,413
Unallocated liabilities					18,297
Total liabilities					69,710
Capital expenditure	421	2,001	393	1,066	3,881
Depreciation	543	904	590	908	2,945
Impairment of property, plant and equipment	–	–	–	1,763	1,763
Impairment of trade receivables	20,500	10,115	3,051	181	33,847

6. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended and as at 31 December 2007				
	Property agency				
	Commercial HK$'000	Industrial HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Revenue	246,123	89,339	105,421	23,522	464,405
Segment results	69,261	13,285	20,651	(2,903)	100,294
Unallocated costs					(8,528)
Operating profit					91,766
Finance income					5,580
Finance costs					(1,077)
Profit before taxation					96,269
Taxation					(18,285)
Profit for the year					77,984
Segment assets	133,933	157,811	50,726	8,993	351,463
Unallocated assets					32,380
Total assets					383,843
Segment liabilities	95,439	38,711	33,097	5,621	172,868
Unallocated liabilities					34,645
Total liabilities					207,513
Capital expenditure	476	99	688	1,508	2,771
Depreciation	816	832	900	997	3,545
Impairment of trade receivables	17,117	6,664	4,978	(18)	28,741

No analysis of the segment information by geographical segment 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 receivables and operating cash and mainly exclude amounts due from group companies and taxation recoverable. Segment liabilities comprise operating liabilities and mainly exclude amounts due to group companies and taxation payable.

7. OTHER INCOME, NET

	2008 HK$'000	2007 HK$'000
Net realised and unrealised loss on financial assets at fair value through profit or loss	–	(960)
Gain on disposal of a subsidiary	–	698
Dividend income	76	–
Sundries	281	429
	357	167

8. STAFF COSTS

	2008 HK$'000	2007 HK$'000
Salaries and allowances	64,571	58,214
Commissions	64,761	172,036
Pension costs for defined contribution plans	4,312	4,150
	133,644	234,400

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

The cost of the MPF scheme charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totaling HK$275,000 (2007: HK$316,000) which are payable to the fund are included in other payable and accruals as at 31 December 2008.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2008 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive directors					
Ms. TANG Mei Lai, Metty (note (i))	–	702	–	4	706
Mr. WONG Tsz Wa, Pierre	–	3,590	–	12	3,602
Ms. WONG Ching Yi, Angela (note (ii))	2	–	–	–	2
Ms. IP Kit Yee, Kitty (note (iii))	8	–	–	–	8
Ms. YUEN Wing Kwan, Annie (note (iv))	8	–	–	–	8
	18	4,292	–	16	4,326
Non-executive director					
Mr. TSANG Link Carl, Brian	66	–	–	–	66
Independent Non-executive directors					
Mr. KOO Fook Sun, Louis (note (v))	44	–	–	–	44
Mr. SHA Pau, Eric	76	–	–	–	76
Mr. YING Wing Cheung, William	76	–	–	–	76
Mr. HO Kwan Tat, Ted	76	–	–	–	76
	272	–	–	–	272
	356	4,292	–	16	4,664

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

(a) Directors' emoluments (Continued)

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

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

Notes:

(i) Ms. TANG Mei Lai, Metty appointed on 22 September 2008

(ii) Ms. WONG Ching Yi, Angela resigned on 20 March 2008

(iii) Ms. IP Kit Yee, Kitty resigned on 25 October 2008

(iv) Ms. YUEN Wing Kwan, Annie appointed on 20 March 2008 and thereafter resigned on 24 December 2008

(v) Mr. KOO Fook Sun, Louis resigned on 24 June 2008

No director waived or agreed to waive any emoluments during the year (2007: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2007: Nil).

9. 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 two (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Basic salaries and allowances	1,515	1,187
Discretionary bonuses	–	16
Contribution to MPF scheme	36	30
	1,551	1,233

The emoluments fell within the following bands:

	Number of individuals	
Emoluments bands	2008	2007
Below HK$1,000,000	3	3

10. OPERATING PROFIT

Operating profit is arrived at after charging:

	2008 HK$'000	2007 HK$'000
Auditor's remuneration	755	1,383
Impairment of property, plant and equipment	1,763	–
Loss on disposal of property, plant and equipment	707	342
Net realised and unrealised loss on financial assets at fair value through profit or loss	2,603	–

11. FINANCE INCOME AND COSTS

	2008 HK$'000	2007 HK$'000
Finance income		
Bank interest income	3,040	5,580
Finance costs		
Finance cost of convertible notes	(1,290)	(867)
Interest on securities margin financing	(32)	(210)
	(1,322)	(1,077)
Finance income, net	1,718	4,503

12. TAXATION

	2008 HK$'000	2007 HK$'000
Current		
Hong Kong profits tax	525	21,313
Deferred (note 21)	2,980	(3,028)
	3,505	18,285

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2008 HK$'000	2007 HK$'000
Profit before taxation	2,645	96,269
Calculated at a taxation rate of 16.5% (2007: 17.5%)	436	16,847
Income not subject to taxation	(991)	(999)
Expenses not deductible for taxation purposes	3,014	2,476
Utilisation of previously unrecognised tax losses	–	(58)
Recognition of previously unrecognised temporary differences	–	24
Tax losses not recognised	1,038	591
Remeasurement of deferred tax – change in Hong Kong tax rate	264	–
Others	(256)	(596)
Taxation charge	3,505	18,285

As a result of the change in the Hong Kong profits tax rate from 17.5% to 16.5% effective from 1 April 2008, deferred tax balances have been measured.

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$13,394,000 (2007: HK$5,398,000).

14. DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil).

15. EARNINGS PER SHARE

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

	2008 HK$'000	2007 HK$'000
(Loss)/profit attributable to equity holders	(607)	78,449
Effect on interest expense on convertible notes, net of tax	1,077	715
Profit for calculation of basic and diluted earnings per share	470	79,164
Number of shares in issue (thousands)	8,300,000	8,300,000
Effect on conversion of convertible notes (thousands)	5,400,000	5,400,000
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share option (thousands)	–	47,362
Number of shares for calculation of diluted earnings per share (thousands)	13,700,000	13,747,362
Basic earnings per share (HK cent)	0.003	0.578
Diluted earnings per share (HK cent)	0.003	0.576

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

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

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
At 31 December 2006				
Cost	7,993	1,033	13,418	22,444
Accumulated depreciation	(6,360)	(558)	(9,617)	(16,535)
Net book amount	1,633	475	3,801	5,909
Year ended 31 December 2007				
Opening net book amount	1,633	475	3,801	5,909
Additions	94	13	2,664	2,771
Disposals	(97)	(13)	(234)	(344)
Depreciation	(1,359)	(194)	(1,992)	(3,545)
Exchange differences	(6)	–	(5)	(11)
Closing net book amount	265	281	4,234	4,780
At 31 December 2007				
Cost	7,001	1,007	15,496	23,504
Accumulated depreciation	(6,736)	(726)	(11,262)	(18,724)
Net book amount	265	281	4,234	4,780
Year ended 31 December 2008				
Opening net book amount	265	281	4,234	4,780
Additions	1,761	10	2,110	3,881
Disposals	(226)	(9)	(472)	(707)
Depreciation	(831)	(144)	(1,970)	(2,945)
Impairment	(498)	–	(1,265)	(1,763)
Exchange differences	(1)	–	(1)	(2)
Closing net book amount	470	138	2,636	3,244
At 31 December 2008				
Cost	5,048	963	9,086	15,097
Accumulated depreciation and impairment	(4,578)	(825)	(6,450)	(11,853)
Net book amount	470	138	2,636	3,244

17. INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Website development cost HK$'000	Licensing rights HK$'000	Total HK$'000
At 31 December 2007 and 2008				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	–	–	–	–

18. INVESTMENTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	642,608	642,608

Details of principal subsidiaries are set out in note 32 to the financial statements.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2008 HK$'000	Group 2007 HK$'000
Equity securities listed in Hong Kong, at market value	110	2,550

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

20. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts receivables from and payable to subsidiaries are unsecured, interest free and repayable on demand.

As at 31 December 2008, amounts receivables of HK$46,974,000 (2007: HK$46,974,000) are impaired and fully provided. All other subsidiaries have no default history.

21. DEFERRED TAXATION

	Group 2008 HK$'000	Group 2007 HK$'000
Deferred taxation assets	1,643	4,635
Deferred taxation liabilities	(1)	(13)
	1,642	4,622

The net movements on the deferred taxation are as follows:

	Group 2008 HK$'000	Group 2007 HK$'000
At beginning of year	4,622	1,594
Recognised in the income statement (note 12)	(2,980)	3,028
At end of year	1,642	4,622

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:

	Provision		Tax Losses		Group Total	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
At beginning of year	4,737	1,688	–	–	4,737	1,688
Recognised in the income statement	(3,796)	3,049	768	–	(3,028)	3,049
At end of year	941	4,737	768	–	1,709	4,737

Deferred taxation liabilities:

	Group 2008 HK$'000	Group 2007 HK$'000
Accelerated tax depreciation		
At beginning of year	(115)	(94)
Recognised in the income statement	48	(21)
At end of year	(67)	(115)

21. DEFERRED TAXATION (Continued)

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$3,811,000 (2007: HK$2,941,000) in respect of losses amounting to HK$23,099,000 (2007: HK$16,808,000) as at 31 December 2008. These tax losses can be carried forward against future taxable income and have no expiry date.

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

	Group	
	2008 HK$'000	2007 HK$'000
Deferred taxation assets – Recoverable within twelve months	1,643	4,635
Deferred taxation liabilities – Payable settled within twelve months	(1)	(13)

22. TRADE AND OTHER RECEIVABLES

	Group	
	2008 HK$'000	2007 HK$'000
Trade receivables	56,869	226,200
Less: Impairment	(17,959)	(11,181)
Trade receivables – net	38,910	215,019
Other receivables, prepayments and deposits	13,577	12,425
	52,487	227,444

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

	Group	
	2008 HK$'000	2007 HK$'000
Not yet due	25,424	188,751
Less than 30 days	7,714	10,879
31 to 60 days	1,167	4,887
61 to 90 days	840	1,283
91 to 180 days	3,765	9,219
	38,910	215,019

22. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK$13,486,000 (2007: HK$26,268,000) are past due but not impaired. Such receivables are past due less than six months.

Trade receivables of HK$17,959,000 (2007: HK$11,181,000) are mainly past due more than six months, impaired and fully provided. The ageing of such receivables is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Less than 6 months	481	–
6 to 12 months	10,235	4,901
Over 12 months	7,243	6,280
	17,959	11,181

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At beginning of year	11,181	12,007
Provision for impairment	34,940	32,418
Write-off of uncollectible debts	(27,069)	(29,567)
Unused amounts reversed	(1,093)	(3,677)
At end of year	17,959	11,181

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

23. CASH AND BANK BALANCES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Cash at bank and in hand	104,322	26,683	69	1
Short-term bank deposits	76,052	116,608	–	–
Cash and cash equivalents	180,374	143,291	69	1

24. SHARE CAPITAL

(a) Share capital

	Number of shares (HK$0.01 each)	Nominal value HK$'000
Authorised:		
At 31 December 2008 and 2007	50,000,000,000	500,000
Issued and fully paid:		
At 31 December 2008 and 2007	8,300,000,000	83,000

(b) Share options

(i) 2005 share option scheme

On 6 June 2005, the Company adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company, have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of the Company, and will not be less than the higher of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company quoted on the GEM of the Stock Exchange on the five trading days immediately preceding the date of offer of the options; or (iii) the closing price of the shares quoted on the GEM of the Stock Exchange on the date of offer of the options, which must be a business day as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The Scheme was terminated upon adoption of a new share option scheme on 19 September 2008 as set out in note 24(b)(ii). Termination of the Scheme would not prejudice the outstanding options granted under the Scheme.

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

	2008		2007	
	Average exercise price per share HK$	Number of options	Average exercise price per share HK$	Number of options
At beginning and end of year	0.06	83,000,000	0.06	83,000,000

24. SHARE CAPITAL (Continued)

(b) Share options (Continued)

(i) 2005 share option scheme (continued)

Share options granted under the Scheme of the Company outstanding at the end of year, which were vested, having the following exercisable periods and exercises prices:

	2008		2007	
	Exercise price per share HK$	Number of options	Exercise price per share HK$	Number of options
Exercisable period				
1 April 2006 to 31 March 2009	0.06	41,500,000	0.06	41,500,000
1 June 2006 to 31 May 2009	0.06	41,500,000	0.06	41,500,000
As at 31 December 2008		83,000,000		83,000,000

(ii) 2008 new share option scheme

On 19 September 2008, the Company adopted a new share option scheme (the "New Scheme") pursuant to an extraordinary general meeting. Under the New Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company, have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of the Company, and will not be less than the higher of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company quoted on the Main Board 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 Main Board of the Stock Exchange on the date of offer of the options, which must be a business day as defined in the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange. The New Scheme will remain in force for a period of ten years commencing from 19 September 2008. As of 31 December 2008, no option has been granted under the New Scheme.

25. RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2007	85,816	80,927	14,918	–	188	1,652	(46,237)	137,264
Currency translation differences	–	–	–	–	12	–	–	12
Reserve arising from the Acquisition (note 1)	–	(640,000)	–	–	–	–	–	(640,000)
Issue of convertible notes	–	–	–	517,352	–	–	–	517,352
Profit for the year	–	–	–	–	–	–	78,449	78,449
At 31 December 2007	85,816	(559,073)	14,918	517,352	200	1,652	32,212	93,077
Currency translation differences	–	–	–	–	(42)	–	–	(42)
Loss for the year	–	–	–	–	–	–	(607)	(607)
At 31 December 2008	85,816	(559,073)	14,918	517,352	158	1,652	31,605	92,428

Company

	Share premium HK$'000	Contributed surplus HK$'000 (note (c))	Convertible notes reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	85,816	2,509	–	1,652	(47,834)	42,143
Issue of convertible notes	–	–	517,352	–	–	517,352
Loss for the year	–	–	–	–	(5,398)	(5,398)
At 31 December 2007	85,816	2,509	517,352	1,652	(53,232)	554,097
Loss for the year	–	–	–	–	(13,394)	(13,394)
At 31 December 2008	85,816	2,509	517,352	1,652	(66,626)	540,703

Notes:

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

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

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

26. CONVERTIBLE NOTES

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

No convertible note was converted into shares of the Company during the year ended 31 December 2008.

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Trade payables	34,488	149,184	–	–
Other payable and accruals	18,173	23,663	1,104	818
	52,661	172,847	1,104	818

The trade payables represent principally the commissions payable to property consultants, cooperative estate agents and fellow subsidiaries. The trade payables are due for payment only upon the receipt of corresponding agency fees from customers. The trade payables include commission payables of HK$6,087,000 (2007: HK$15,368,000) which are due for payment within 30 days, and all the remaining trade payables are not yet due.

28. CASH FLOW STATEMENT

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

	2008 HK$'000	2007 HK$'000
Operating profit	927	91,766
Depreciation	2,945	3,545
Impairment of property, plant and equipment	1,763	–
Loss on disposal of property, plant and equipment	707	342
Gain on disposal of a subsidiary	–	(698)
Net realised and unrealised loss on financial assets at fair value through profit or loss	2,603	960
Dividend income	(76)	–
Operating profit before working capital changes	8,869	95,915
Change in balances with group companies	–	114,009
Decrease/(increase) in trade and other receivables	174,917	(123,501)
(Decrease)/increase in trade and other payable	(120,186)	101,925
Decrease in amounts due to minority shareholders	–	(180)
Net cash generated from operations	63,600	188,168

28. CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2008 HK$'000	2007 HK$'000
Other payable and accruals	–	(698)
Gain on disposal of subsidiaries	–	698
Total consideration	–	–

29. CONTINGENT LIABILITIES

At 31 December 2008, the Company executed corporate guarantees amounting to HK$35,500,000 (2007: HK$15,500,000) as the securities for general banking facilities extended to a wholly-owned subsidiary. At 31 December 2008, none of the banking facilities were utilised by the subsidiary (2007: Nil).

30. COMMITMENTS

(a) Capital commitments

	Group	
	2008 HK$'000	2007 HK$'000
Property, plant and equipment		
Contracted but not provided for	22,942	29,688

As at 31 December 2008, the Company did not have any significant commitments (2007: Nil).

(b) Operating lease commitments

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

	Group	
	2008 HK$'000	2007 HK$'000
Not later than one year	9,646	14,412
Later than one year and not later than five years	416	11,094
	10,062	25,506

As at 31 December 2008, the Company did not have any significant operating lease commitments (2007: Nil).

31. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Notes	Group 2008 HK$'000	Group 2007 HK$'000
Agency fee income from fellow subsidiaries	(i)	10,534	20,506
Agency fee income from related companies	(ii)	1,363	3,473
Rebate commission expense to fellow subsidiaries	(iii)	18,019	31,173
Operating lease rental expense in respect of office and shop premises to related companies	(iv)	2,860	2,844
Web-site advertising expense to a fellow subsidiary	(v)	–	189
Management fee expense to ultimate holding company	(vi)	–	3,651

Notes:

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

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

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

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

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

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

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

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

	Group 2008 HK$'000	Group 2007 HK$'000
Amounts due from fellow subsidiaries	5,748	10,580
Amounts due to fellow subsidiaries	5,527	20,086

At 31 December 2008, amounts due from fellow subsidiaries of HK$12,828,000 (2007: Nil) were impaired and fully provided.

31. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	Group 2008 HK$'000	Group 2007 HK$'000
Salaries and allowances	4,648	6,698
Retirement benefit costs	16	24
	4,664	6,722

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held %
Ketanfall Group Limited	British Virgin Islands	14 shares of US$1 each	Investment holding 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 (Comm.) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK$1 each	Property agency in Hong Kong	100
Teamway Group Limited	British Virgin Islands	1 share of US$1 each	Property investment in Hong Kong	100
Unicorp Investment Limited	Hong Kong	1 share of HK$1 each	Investment securities in Hong Kong	100
Gainwell Group Limited	British Virgin Islands	1 share of US$1 each	Investment holding in Hong Kong	100
Value Media International Limited	British Virgin Islands	100 shares of US$1 each	Investment holding in Hong Kong	100
Leader Concord Limited	Hong Kong	2 shares of HK$1 each	Investment holding in Hong Kong	100
EVI Education Asia Limited (formerly known as Network Focus Consultancy Corporation)	British Virgin Islands	2,000 shares of US$1 each	Investment holding in Hong Kong	100
EVI eTraining Limited	Hong Kong	1 share of HK$1 each	Provision of online training courses in Hong Kong	100

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held %
EVI Services Limited	Hong Kong	21,053 shares of HK$1 each	Sales and installation of computer hardware and software, provision of computer training services and internet education services in Hong Kong	100
Silicon Workshop Limited	Hong Kong	100 shares of HK$1 each	Sales and installation of computer hardware and software and provision of computer training services in Hong Kong	80
Sinodelta Limited	Hong Kong	2 shares of HK$1 each	Provision of SMS messaging services and training of music boards and attendance systems in Hong Kong and leasing in Hong Kong	100

Five-year Financial Summary

	Year ended 30 September 2004 HK$'000	Fifteen month period ended 31 December 2005 HK$'000	2006 HK$'000	Year ended 31 December 2007 HK$'000	2008 HK$'000
Turnover	20,206	31,258	292,950	464,405	257,598
Profit/(loss) attributable to equity holders of the Company	(4,205)	(1,007)	40,791	78,449	(607)
Total assets	26,961	130,171	376,777	383,843	245,138
Total liabilities	5,875	5,101	155,795	207,513	69,710
Minority interest	2,225	709	718	253	–
Net assets	18,861	124,361	220,264	176,077	175,428
Total equity	21,086	125,070	220,982	176,330	175,428
(Loss)/earnings per share-basic (HK cent)	(0.11)	(0.02)	0.30	0.578	0.003

Note: For the purpose of five-year financial summary, the financial information for fifteen period ended 31 December 2005 and before had not been restated to reflect effect arising from the common control combination in 2007 as the directors consider that would involve undue delay and expenses.

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