



美聯集團

MIDLAND HOLDINGS

Midland Holdings Limited

Incorporated in Bermuda with limited liability

(Stock Code 股份代號: 1200)

Power up for Challenges

顯實力·迎挑戰

Annual Report 2008 年報



www.midland.com.hk

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Corporate Information

DIRECTORS

Executive Directors

Mr. WONG Kin Yip, Freddie
(Chairman and Managing Director)
Ms. TANG Mei Lai, Metty
(Deputy Chairman)
Mr. WONG Kam Hong
Mr. CHAN Kwan Hing
Ms. WONG Ching Yi, Angela
Mr. KWOK Ying Lung
Ms. IP Kit Yee, Kitty

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. WONG Kin Yip, Freddie
Ms. IP Kit Yee, Kitty
Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. KOO Fook Sun, Louis
Mr. SUN Tak Chiu
Mr. WANG Ching Miao, Wilson

COMPANY SECRETARY

Ms. KAM Man Yi, Margaret

QUALIFIED ACCOUNTANT

Ms. KAM Man Yi, Margaret

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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
Bank of China (Hong Kong) Limited

HONG KONG LEGAL ADVISERS

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

BERMUDA LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

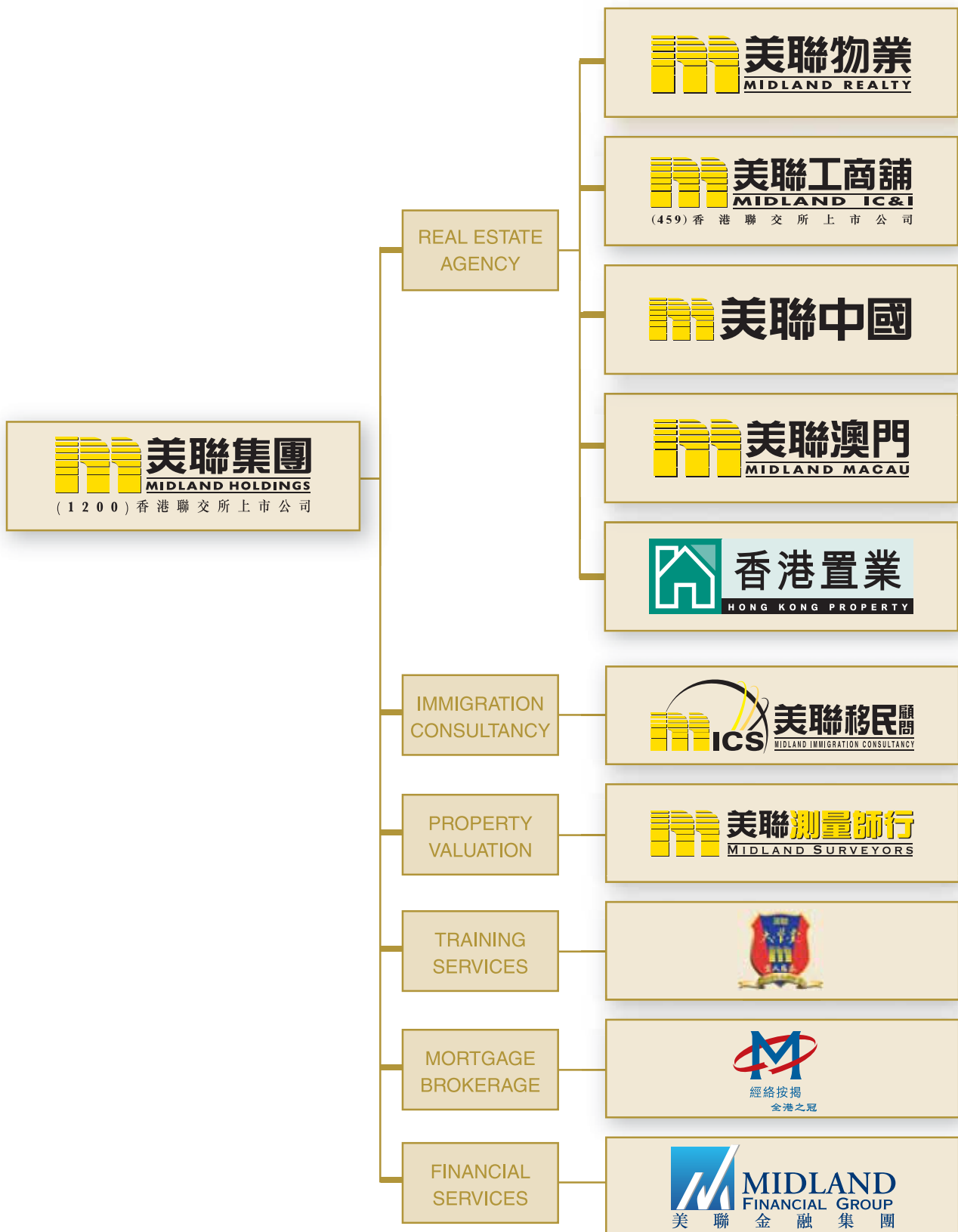
WEBSITE

www.midland.com.hk

STOCK CODE

1200

Organisation Chart



Appendix to Organisation Chart



Board of Directors

Back row from left to right: Kitty IP, Wilson WANG, Louis KOO, Angela WONG, Albert WONG, Vincent CHAN, Raymond SUN, Raymond KWOK

Front row from left to right: Metty WONG, Freddie WONG

SBU's	BUSINESS DESCRIPTION
 美聯物業 MIDLAND REALTY Midland Realty	Provision of residential property agency services in Hong Kong
 美聯工商舖 MIDLAND IC&I (459) 香港聯交所上市公司 Midland IC&I	Provision of non-residential property agency services in respect of industrial, commercial and shop properties in Hong Kong
 美聯中國 Midland China	Provision of project planning, commercial property management, marketing and sales planning and property agency services in PRC
 美聯澳門 MIDLAND MACAU Midland Macau	Provision of property agency, surveying, project planning, leasing and property management services in Macau
 香港置業 HONG KONG PROPERTY Hong Kong Property	Provision of residential property agency services in Hong Kong and residential and commercial properties agency services in the PRC
 美聯移民 MIDLAND IMMIGRATION CONSULTANCY Midland Immigration Consultancy	Provision of immigration consultancy services in Hong Kong and Macau
 美聯測量師行 MIDLAND SURVEYORS Midland Surveyors	Provision of professional surveying consultancy services including valuation advisory, project and development consultancy, sales and marketing, tender and auction
 Midland University	Group's training centre with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite people for the industry
 mReferral Mortgage Brokerage Services 經絡按揭 金銀按揭 金港之冠	A joint venture with a major developer and an international bank, offering free mortgage referral services as well as provision of related information
 MIDLAND FINANCIAL GROUP 美聯集團 Midland Financial Group	An affiliate of the Company, providing one-stop independent financial planning consultancy services with various wealth management products

Major Events and Awards for the Year

“Ernst & Young Entrepreneur of The Year – China” and “The 10 Outstanding Entrepreneurs Awards 2008”

Mr. WONG Kin Yip, Freddie, the Chairman of the Group, was awarded the Entrepreneur of The Year (Services Category) in the “Ernst & Young Entrepreneur of The Year – 2008 China” organised by Ernst & Young. This award recognizes his outstanding and innovative corporate governance.

He also won “The 10 Outstanding Entrepreneurs Awards 2008” which was held by the Capital Entrepreneur, a magazine, recognising his contributions made to the staff of the Group, the property agency industry and for the prosperity of Hong Kong.



“Capital Weekly Services Awards – Property Agent”

Midland won the “Capital Weekly Services Awards – Property Agent”, which was voted by the celebrities from the political, economic and commercial fields, showing that its professional services quality was well recognised by the society.



“Caring Company”

The Group was conferred as the “Caring Company” for six consecutive years, manifesting the Group as a listed company with good corporate governance and social responsibility.



Care for the community

Donations were made to the Hong Kong Red Cross by Midland Charitable Foundation in 2008, which received a certificate for its endorsement.



Major Events and Awards for the Year

“Grand Prize (Judging Panel) of Hong Kong Corporation Branding Award”

The Group won “Judging Panel-Grand Prize (Property Management & Agents)” in Hong Kong Corporate Branding Award 2008, showing the integrity of Midland’s brand image established over the years.



“PRO Choice Award”

The Group won the “PRO Choice Award” two years in a row, proving the Midland’s leading position in the property agency industry and confirming that it was trusted and supported by the public.



“Distinguished Salesperson Award”

A total of twelve staff clinched the Distinguished Salesperson Award in “The 40th Distinguished Salesperson Award Programme” which was jointly organised by The Hong Kong Management Association and Sales and Marketing Executives Club.



Midland IC&I successfully transferred to the Main Board of the Stock Exchange

Midland IC&I successfully transferred its listing status from the Growth Enterprise Market to the Main Board of the Stock Exchange. The move could enhance the Group’s profile, and facilitate future development, financial flexibility and business development of the Group.



Advertisement and promotion of “Legend of the White Horse”

Midland Realty’s advertising campaign “Legend of the White Horse” PART II was launched. Its extensive promotion covered both television and printed media.



Brilliant performance on the sales of new projects

The Midland Group continued to achieve outstanding performance in the sales of new projects, which was highly acclaimed by the developers.



The Second “Management Associates (Innovations) Program”

Committed to fostering the professional for the next generation of the property agency industry, the Midland Group ran the second “Management Associates (Innovations) Program”, in which the Group, for the first time, crossed the borders to select calibres who aspired to devote to the properties agency industry and to nurture them to be the new members of the management of the PRC Division with a one-year comprehensive training.



Receiving overseas university students exchange tours

Three years in a row, the management of the Group was invited to give a thorough presentation on the Hong Kong real estate market to the representatives of a leading Japanese University.



Chairman's Statement

POWER UP FOR CHALLENGES



BUSINESS REVIEW

The Group posted an encouraging performance in the first half of 2008 but the global financial crisis in the second half presented serious challenges to business operations.

The world's economies suffered a severe blow from the worst financial storm in a century between September and November last year. In Hong Kong, the economy and the financial and property markets were also hit seriously. With the sharp decline in local economy over the last few months, the Group took decisive measures to rationalise business operations including cutting back the number of branches and staff. This prudent strategy sets the stage for the Group to maintain sustained business development and to take on the challenges in 2009.

A SHARP FALL IN MARKET ACTIVITY

The property market was sluggish in the second half of last year as the volume of registered transactions fell to the lowest level since the SARS crisis in 2003. In fact, investor sentiment and property activity already took a turn from the peak of the market last summer, which was aggravated by the financial tsunami in September. Banks had become extremely conservative in extending loans

in the fourth quarter of last year following the crisis, thus dampening property transactions significantly. Statistics showed that monthly property registrations dropped to the lowest level for nearly 20 years in November while average property prices fell by almost 20% in the second half of last year. The luxury residential market and the primary sector weakened in particular during the period. In Mainland China, the slowdown in property market coupled with rising operating costs resulted in a loss of more than one hundred million dollars. Overall, the Group's revenue recorded a 41.8% decline to HK\$2,254,620,000 in 2008. After making provisions for uncollectible commission and related receivables, the Group reported a loss of HK\$41,399,000 for the year ended 31 December 2008.

SHARPENING MAINLAND STRATEGY

With the economic contraction around the world after the financial crisis, the Group's business operations in both Hong Kong and the mainland were adversely affected. The Group has taken proactive measures immediately after the crisis to control costs in the face of the weakened economic environment.

The mainland property market presents an opportunity for the Group's long-term business expansion. We focus on establishing business operations in key cities with a strategy of expanding into secondary areas in a buoyant market. In the event of a market slowdown, however, the Group will take prompt actions to restructure business including downsizing the branch network and streamlining the workforce. The mainland business operation recorded a loss because of the property downturn during the year. As a result, the Group's retail network on the mainland was scaled back significantly in the second half of 2008.

BACK-OFFICE EFFICIENCY AND QUALITY OF SERVICE

With the property market slowing down in Hong Kong, the Group has introduced positive measures immediately to improve productivity such as rationalising the workforce with the departure of staff with unsatisfactory performance and cutting back the presence of branches. Manpower resources in the back-office division were streamlined and the Group integrated the supporting operation of its wholly-owned subsidiary Hong Kong Property Services (Agency) for better back-office operational efficiency to create extra business value. In addition to cost controls, the Group is committed to improving the standard of professionalism by making the back-office departments "Central Professional Units" for the company.

OPERATING COST TO DECLINE

With a comprehensive carefully-formulated business strategy to meet the market changes, the Group is well positioned to take on challenges and seize opportunities in the future. While our business is affected by the exceptional economic downturn now facing the world, the Group's established solid foundation and decisive mitigation measures in response to the crisis will pave the way for recovery. At the end of last year, the Group's monthly fixed cost decreased from that at peak of the market, which should bode well for a healthier business development in 2009.

OUTLOOK

With the global financial crisis showing no signs of abating, major economies around the world are set to face further slowdown. Hong Kong cannot escape unscathed and the local economy probably will suffer this year with a potential negative GDP growth further increases in unemployment rate.

STANDING TALL TO REAP OPPORTUNITIES

In business for 36 years, the Group has gone through the market crises over the decades. In 1973, the first year we came into business, the stock market crashed and the Hang Seng Index plunged from 1,700 points to 160 in two years. The confidence crisis came up between 1982 and 1984 while the Asian financial turmoil broke out in 1997, followed by the technology bubble burst in 2000 and the SARS crisis in 2003. The Group successfully turned adversity into opportunity and emerged stronger every time from the crises. We continue to maintain a sound balance sheet and healthy working capital in the face of the prevailing difficulty, which is reflective of the Group's prudent business philosophy, strong forward-looking management as well as good ability to overcome crisis.

The local economy suffered from the financial crisis last year and the business environment for all sectors including the property market will remain challenging this year. Although the Government has introduced a series of initiatives such as major infrastructure development and other policies to shore up the economy, stock market fluctuations and rising unemployment will continue to affect the property sector in the near term. Hong Kong has experienced no excessive lending while the low interest rate environment and limited supply of new properties will help bolster the property market's longer-term development. New luxury residential projects such as The Cullinan put on sale generated positive sales responses in February 2009, indicating that some investors continue to see property as a safe long-term bet.

LONGER-TERM OPTIMISM

The Group remains optimistic about the prospect for the local property market in the medium and long term because of its strong fundamentals. Market activity will be inevitably disturbed in the short term by various negative factors including rising unemployment, uncertainty of the world's economies and volatile stock market conditions. Last year, the fall in property prices resulted in more transactions falling through both sales and leasing, which adversely affected the Group's earnings in 2008 with provisions made for uncollectible receivables and charges related to transaction cancellations. The Group will monitor closely the trend of property deals falling through and take appropriate actions whenever necessary.

In light of the fast-changing market conditions, the management will constantly review the cost control measures introduced at the end of last year to ensure steady business development. With sound financial strength and the management's deep knowledge and experience in the property agency business, the Group is confident of riding through the financial crisis. A few years back at the start of the property market's last recovery, an accountability system was introduced with delegation of power made to chief executives of the Group's subsidiaries and associates to motivate staff performance in different divisions. This system worked very well during the market boom but the dramatic market changes after the financial crisis disrupted business performance. In the second half of 2008, the Group decided to readjust the strategy and rationalised business operations under the central leadership. With enhancement of the management team and the board of directors, the Chairman Office was established last year to coordinate and facilitate suitable immediate actions to deal with adversity, take on challenges and capture opportunities at a time of crisis. The Group has already formulated a complete strategy to meet different market changes and additional measures can be put in place quickly if warranted to further cut back controls for business.

With its business prudence, the Group has built up strong reserves during the upcycles to cope with the impact of a market downturn. Looking ahead, the Group will continue to capitalise on our advantages including our branding, a large customer base and a team of professional staff to raise productivity and competitiveness in the market.

IN SINCERE APPRECIATION OF STAFF

Over the years, the Group has gone through the ups and downs of the property market but this once-in-a-century financial crisis presents unprecedented challenges to many of our staff. I would like to express my heart-felt appreciation to all employees for their dedication and for getting through tough times together. With their hard work and total commitment, I trust that the Group will emerge better and stronger from the current economic downturn.

WONG Kin Yip, Freddie

Chairman and Managing Director

Hong Kong, 20 March 2009

Profile of Directors and Management Executives

EXECUTIVE DIRECTORS

Mr. WONG Kin Yip, Freddie, aged 59, is the Founder, Chairman and Managing Director of the Company. He established the Company in 1973 and has been the Chairman of the Company since 1993. Mr. WONG is responsible for formulating the overall corporate directions and corporate strategies of the Group. Mr. WONG is also responsible for leading the Group's management team. Mr. WONG has over 35 years of experience in the real estate agency business in overseas, China and Hong Kong. Introducing mortgage referral services to Hong Kong, he is a pioneer in the mortgage brokerage business. Mr. WONG is a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference, PRC, a board member of the Estate Agents Authority in Hong Kong, the vice president of The Association of Hong Kong Professionals, and also the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr. WONG was a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from 2006 to 2007. Mr. WONG is the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee of the Company. Besides, he is the director of Sunluck Services Limited and Southern Field Trading Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Mr. WONG is the spouse of Ms. TANG Mei Lai, Metty, the Deputy Chairman and Executive Director of the Company, and the father of Ms. WONG Ching Yi, Angela, the Executive Director of the Company.



Ms. TANG Mei Lai, Metty, aged 53, is the Deputy Chairman and Executive Director of the Company. Ms. TANG joined the Group in 2004 and is responsible for the overall corporate development as well as investment strategy and management of the Group. Ms. TANG is involved in charity activities. She is currently the Honorary Member and the President of Midland Charitable Foundation Limited. Ms. TANG has been appointed as Chairman and Managing Director of Midland IC&I Limited in 2008, the Company's listed subsidiary. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Executive Director of the Company, and the mother of Ms. WONG Ching Yi, Angela, the Executive Director of the Company.

Profile of Directors and Management Executives

Mr. WONG Kam Hong, aged 46, has been appointed as the Senior Executive Director of the Company since September 2008. Mr. WONG joined the Group in April 2008 as the Chief Executive Consultant, he was the Deputy Managing Director of the Group from 2001 to 2003. He has solid business experience and a strong background in real estate agency, securities and media industries. Mr. WONG is responsible for assisting the Chairman of the Company in formulating, overseeing and implementing the corporate strategies of the Group. Mr. WONG is also a director of mReferral, a joint venture of the Group with a leading developer and an international bank. In addition, he is a director of Midland Charitable Foundation Limited. He is also a member of the chairman's office. Mr. WONG holds a bachelor's of science (honors) degree in communication from Hong Kong Baptist College and a master's degree in business administration from The University of Wales, UK.



Mr. CHAN Kwan Hing, aged 45, is the Executive Director of the Company. He joined the Group in 1991. Mr. CHAN is also the chief executive officer (Group Residential) of the Company. He has solid experience in the real estate agency business. Mr. CHAN is responsible for formulation and implementation of business strategies of the Company's residential agency business. Mr. CHAN holds a bachelor's of science (honors) degree in accounting and finance and a master's degree in business administration.

Ms. WONG Ching Yi, Angela, aged 28, has been appointed as the Executive Director of the Company since March 2008. She assists in formulating and implementing the Group's overall corporate strategies in order to enhance the efficiencies and effectiveness of the Group and is responsible for corporate development of the Group. Ms. WONG is also responsible for overseeing the overall finance and accounting, marketing, company secretarial function and information technology. Ms. WONG is also a director of mReferral, a joint venture of the Group with a leading developer and an international bank. In addition, she is a member of the chairman's office. Ms. WONG is a member of the Hong Kong Institute of Certified Public Accountant. She graduated from The University of Hong Kong with a bachelor's degree in business administration (accounting and finance) and also holds a master's degree in business administration from Hong Kong University of Science and Technology. Prior to joining the Group, she worked for an international accounting firm for several years. She is the director of Midland Charitable Foundation Limited, a Vice Chairman of Youth Professionals Committee and a member of The Association of Hong Kong Professionals and The Y. Elites Group. She also serves on the Licensing and Practice Committee of the Estate Agents Authority. Ms. WONG has also been appointed as the member of the Nomination Committee of the Company. She was the Executive Director of Midland IC&I Limited from June 2007 to March 2008, the Company's listed subsidiary. Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman of the Company and Ms. TANG Mei Lai, Metty, the Deputy Chairman of the Company.



Mr. KWOK Ying Lung, aged 45, is the Executive Director of the Company. He has solid experience in the real estate agency business, particularly in the property agency business in the Mainland China and non-residential property agency business, including industrial, office and retail properties in Hong Kong. He is responsible for the strategic management, marketing management and sales force management of the China division “Midland China”. Mr. KWOK joined the Group in 1988 and is now also the chief executive officer of the Midland China.



Ms. IP Kit Yee, Kitty, aged 49, has been appointed as the Executive Director of the Company since October 2008. Ms. IP has been serving the Group since 1983. Ms. IP is responsible for overall corporate affairs, management and administration function of the Group. In addition, she is in charge of all aspects of training of the Group and established Midland University which is a renowned training center in the field of real estate agency. She is also participating in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms. IP has extensive experience in property administration and real estate agency and marketing. She has also been appointed as the chairman of the Remuneration Committee of the Company and she is a member of the chairman’s office. Ms. IP was the Executive Director of the Company from June 1995 to September 2004 and was the Executive Director of Midland IC&I Limited from April 2007 to October 2008, the Company’s listed subsidiary.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. KOO Fook Sun, Louis, aged 52, has been the Independent Non-executive Director of the Company since September 2004. Mr. KOO is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. KOO has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company. He currently also serves as an independent non-executive director of another five companies listed on the Main Board, namely China Communications Construction Company Limited, Good Friend International Holdings Inc., Li Ning Company Limited, Weichai Power Co., Ltd. and Xingda International Holdings Limited, and a company listed on the Growth Enterprise Market, namely Richfield Group Holdings Limited. Mr. KOO was the independent non-executive director of Midland IC&I Limited from June 2005 to June 2008, the Company's listed subsidiary. In addition, Mr. KOO is also the vice chairman and chief financial officer of 2020 ChinaCap Acquirco, Inc., a company listed on the New York Stock Exchange Amex. Mr. KOO graduated with a bachelor's degree in business administration from the University of California at Berkeley and is a member of the Hong Kong Institute of Certified Public Accountants. Mr. KOO has also been appointed as the chairman of the Audit Committee of the Company and a member of the Remuneration Committee and Nomination Committee of the Company.



Mr. SUN Tak Chiu, aged 45, has been the Independent Non-executive Director of the Company since September 2004. Mr. SUN has over 22 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in laws and a master degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute. Mr. SUN has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



Mr. WANG Ching Miao, Wilson, aged 47, has been the Independent Non-executive Director of the Company since September 2004. Mr. WANG has over 18 years of experience in the field of optical products manufacturing. Mr. WANG is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing. Mr. WANG has also been appointed as a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.



MANAGEMENT EXECUTIVES



Mr. CHEUNG Kam Shing, aged 45, has been appointed as Consultant of the Group since November 2008. Mr. CHEUNG has solid experience in real estate agency business and he plays an advisory role in the formulation of policy and strategy of the Group. Mr. CHEUNG had served the Group for 18 years and was the Executive Director of the Company from June 1998 to November 2005.

Mr. WONG Tsz Wa, aged 45, is the Executive Director and the Chief Executive Officer of Midland IC&I Limited, the Company's listed subsidiary. He is responsible for overseeing Midland IC&I's overall business strategy and development and implementation of overall corporate strategies and policy in achieving the overall business objectives. Mr. WONG joined the Group in 1993. He holds a bachelor's of law degree and a master's degree in business administration. He has over 21 years' experience in non-residential property agency business in Hong Kong.



Ms. KAM Man Yi, Margaret, aged 41, has been appointed as company secretary of the Company since November 2008. She is the Qualified Accountant and Director (Finance) of the Group and is responsible for the operations of finance and accounting, company secretarial and treasury functions. She is also a member of the chairman's office. Ms. KAM joined the Group in 1997. She has over 17 years of experience in the field of auditing and accounting. She holds a bachelor's of commerce (accounting and economics) degree of the University of Melbourne, Australia and is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as a member of CPA Australia. She also holds a master's degree in business administration from University of Central Queensland, Australia.



Mr. TSE Tsz Man, Gordon, aged 40, is the Senior Director (Corporate Development) of the Group. He joined the Group in 1996. He is responsible for the operations of investor relations, advertising, information technology and research. He is also a member of the chairman's office. Mr. TSE holds a bachelor's degree in business administration from Simon Fraser University, B.C., Canada, and a master's degree in business administration from The University of Hong Kong.

Corporate Governance Report

The board of Directors (the “Board”) of Midland Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) recognizes that a sound and effective corporate governance practices and procedures, with an emphasis on integrity, transparency, accountability and independence, are essential to enhance the shareholders value and safeguard the shareholders’ interest. The Company is committed to maintaining a good corporate governance standard and endeavors to ensure that its businesses are conducted in accordance with applicable rules and regulations.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2008, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the deviation from the Code Provision A.2.1 as specified with considered reasons for such deviation as explained below.

BOARD OF DIRECTORS

(i) Board Responsibilities

The Board is responsible for the management of the Company including, inter alia, formulating business strategies, directing and overseeing the Group’s affairs, approving interim and annual results and other disclosures to the public or regulators, considering dividend policy, and approving the grant of share options or any change in the capital structure of the Company. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the Executive Committee of the Company.

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

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Independent Non-executive Directors of the Company may seek independent professional advice in appropriate circumstances at the Company’s expense in carrying out their functions, upon making request to the Board.

(ii) Board Composition

The Board currently comprises ten Directors with seven Executive Directors and three Independent Non-executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman and Managing Director*)

Ms. TANG Mei Lai, Metty (*Deputy Chairman*)

Mr. WONG Kam Hong

Mr. CHAN Kwan Hing

Ms. WONG Ching Yi, Angela

Mr. KWOK Ying Lung

Ms. IP Kit Yee, Kitty

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

Save and except Mr. WONG Kin Yip, Freddie is the spouse of Ms. TANG Mei Lai, Metty and is the father of Ms. WONG Ching Yi, Angela, none of the members of the Board is related to one another.

The biographical details of the Directors are set out in the section of “Profile of Directors and Management Executives” on pages 11 to 16 of this Annual Report.

(iii) Chairman and Chief Executive Officer

Mr. WONG Kin Yip, Freddie (“Mr. WONG”) is the Chairman and Managing Director of the Company who is the Founder and responsible for formulating the overall corporate directions and corporate strategies of the Group. Mr. WONG is also responsible for leading the Group’s management team.

In order to meet the challenges ahead due to the financial tsunami and the current difficult business operational environment, Mr. WONG also carried out the function of Chief Executive Officer of the Company after restructuring the position of the senior management of the Company in late 2008. The daily operation and management of the Company is monitored by the Executive Directors as well as the senior management, whereas the senior executives of respective strategic business units of the Group are responsible to perform and oversee the business operation of the respective business units.

Although Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual, the Board considers that the above structure will not impair the balance of power and authority between the Board and the senior management of the Company.

The Board believes that under the leadership of Mr. WONG, the current structure is conducive to strong and consistent, enabling the Company to make and implement business decisions and strategies promptly and efficiently which is beneficial to the business prospects and management of the Group.

(iv) Re-Election and Retirement of the Directors

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

Throughout the year 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 possessing appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Directors an annual written confirmation of their independence and considers that they are independent of the Company and free of any relationship that could materially interfere with the exercise of their independent judgment.

BOARD OF DIRECTORS (Continued)

(vi) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the year of 2008, the Board held five meetings to approve interim and final results announcement, financial reports, to recommend or declare dividends and to discuss significant issues of the Company. Individual attendance records of each Directors at the respective Board and committee meetings are set out in the table on page 21 of this Annual Report.

(vii) Practices and Conduct of Meetings

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to Directors before the meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings. For other Board and committee meetings, reasonable notice is generally given. The Company Secretary is responsible for taking and keeping minutes of all Board and committee meetings. Draft minutes is normally circulated to all Directors for their comment within a reasonable time after each meeting and the final version of which is sent to all Directors for their records and is opened for Directors' inspection.

BOARD COMMITTEES

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

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

(i) Executive Committee

The Company has established the Executive Committee on 21 September 1999 and consists of all Executive Directors of the Company as members. The Board has delegated the Executive Committee with authority and responsibility for handling the management functions, managing the day-to-day operations of the Group and facilitating the approval of certain corporate actions, while reserving certain key matters for the approval by the Board.

(ii) Audit Committee

The Company has established the Audit Committee on 4 August 1998 and currently comprises three members, all of whom are Independent Non-executive Directors namely, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson. Two of them possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Written terms of reference of the Audit Committee is accessible on the website of the Company.

The principal role and responsibility of the Audit Committee including, inter alia, reviewing the Company's financial statements, monitoring and overseeing the Company's financial controls, internal control and risk management systems. It also acts as an important link between the Board and the Company's auditor in matter within the scope of the group audit.

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

BOARD COMMITTEES (Continued)

(ii) Audit Committee (Continued)

The major duties of the Audit Committee include :

- reviewing of the Group's annual and interim financial statements, and the interim and annual reports before submission to the Board's approval;
- discussing the external auditor's audit plan and its nature and scope;
- reviewing the financial reporting obligations and considering other matters raised by the external auditor;
- reviewing the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of external auditor and recommending for the appointment, re-appointment or removal of the external auditor;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective, and considering any major findings of internal control matters;
- reviewing the financial control, internal control and risk management systems of the Group and ensuring the management has discharged its duty to have an effective internal control system.

(iii) Remuneration Committee

The Company has established the Remuneration Committee on 10 March 2005 and currently comprises five members, namely Mr. WONG Kin Yip, Freddie, Ms. IP Kit Yee, Kitty, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of them are Independent Non-executive Directors. Written terms of reference of Remuneration Committee is accessible on the website of the Company. During the year of 2008, the Remuneration Committee held three meetings.

The principal role and responsibility of the Remuneration Committee is to reviewing and determining the remuneration policy and packages of the Executive Directors and senior management of the Company.

The Executive Directors, assisted by the group human resources department, are responsible for reviewing all relevant remuneration data and market conditions as well as the performance of individuals and the profitability of the Group, and proposing to the Remuneration Committee for consideration and approval of remuneration packages of the Directors and senior management. No Executive Director has taken part in any discussion and determination of his/her own remuneration.

BOARD COMMITTEES (Continued)

(iv) Nomination Committee

The Company has established the Nomination Committee on 10 March 2005 and currently comprises five members, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of them are Independent Non-executive Directors. Written terms of reference of the Nomination Committee is accessible on the website of the Company. During the year of 2008, the Nomination Committee held three meetings.

The principal role and responsibility of the Nomination Committee is to formulating the nomination policies, making recommendations to shareholders on Directors standing for re-election, and where necessary, nominate Directors to fill casual vacancies.

ATTENDANCE RECORDS AT THE BOARD AND COMMITTEE 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				
Mr. WONG Kin Yip, Freddie (Chairman and Managing Director)	5/5	N/A	3/3	3/3
Ms. TANG Mei Lai, Metty (Deputy Chairman)	5/5	N/A	N/A	N/A
Mr. WONG Kam Hong (Note 1)	2/5	N/A	N/A	N/A
Mr. CHAN Kwan Hing	5/5	N/A	N/A	N/A
Ms. WONG Ching Yi, Angela (Note 2)	4/5	N/A	N/A	N/A
Ms. LAM Fung Fong (Note 3)	3/5	N/A	2/3	2/3
Mr. KWOK Ying Lung	3/5	N/A	N/A	N/A
Ms. IP Kit Yee, Kitty (Note 4)	1/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. KOO Fook Sun, Louis	5/5	2/2	3/3	3/3
Mr. SUN Tak Chiu	5/5	2/2	3/3	3/3
Mr. WANG Ching Miao, Wilson	4/5	2/2	3/3	3/3

Notes:

- Mr. WONG Kam Hong was appointed as Executive Director on 19 September 2008.
- Ms. WONG Ching Yi, Angela was appointed as Executive Director on 20 March 2008, and was appointed as member of Nomination Committee on 25 October 2008.
- Ms. LAM Fung Fong resigned as Executive Director, chairman and member of Remuneration Committee, and member of Nomination Committee on 25 October 2008.
- Ms. IP Kit Yee, Kitty was appointed as Executive Director, chairman and member of Remuneration Committee on 25 October 2008.

SUPPORT FOR DIRECTORS

All Directors must keep abreast of 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.

DIRECTOR'S 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules.

The Company has also adopted a code with no less exacting terms than the Model Code for the relevant employees of the Company to regulate their dealings in securities of the Company and of its listed subsidiary.

On specific enquiries made, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2008.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility, with the support from the finance department, for preparing the financial statements of the Group for the year ended 31 December 2008. The Board must ensure the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

The reporting responsibilities of the Company's independent auditor on the 2008 financial statements of the Group is set out in the "Independent Auditor's Report" on page 41 of this Annual Report.

AUDITOR'S REMUNERATION

PricewaterhouseCoopers has been re-appointed as the independent auditor of the Company by the shareholders of the Company at the last AGM.

During the year ended 31 December 2008, the fees paid to the independent auditor of the Company in respect of audit and non-audit services provided by them are set out as follows:

	Fee paid	
	2008 HK\$'000	2007 HK\$'000
Services rendered for the Group		
Audit Services	3,241	3,431
Non-audit services (Taxation and other professional services)	5,610	3,045
	<u>8,851</u>	<u>6,476</u>

INTERNAL CONTROL

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

The internal audit department of the Company reports directly to the Audit Committee and is independent of the Company's daily operations. They support management by carrying out systematic and periodic independent reviews of all business units and subsidiaries in the Group on ongoing basis. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year, the Board through the internal audit department and the Audit Committee has conducted a review on the effectiveness of the Group's internal control system covering financial, operational and compliance controls and risk management function.

SHAREHOLDERS' RIGHT

The bye-laws of the Company contain the rights of shareholders to demand and the procedures for a poll voting on resolutions at shareholders' meetings which are included in all circulars to shareholders 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 the 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 shareholders meeting and to vote on all resolutions.

INVESTOR RELATIONS

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

To foster effective communications with its shareholders and investors, the Company maintains a website at www.midland.com.hk to provide latest news and financials including interim and annual reports, announcements, circulars and other information relating to the Group and its businesses to the public.

Corporate Social Responsibility Report

RESPONSIBILITY TO THE COMMUNITY

The Group has always been proactively making contributions to the community and encouraging our staff to put such idea into practice.

The Group made various sponsorships and donations in the year. For example:



- Midland Charitable Foundation sponsored the charity golf games held by the Haven of Hope Christian Service for the second consecutive year. This function was aimed at arousing the public concerns on the lives of the elderly via this event.

- Over the years, we have been supporting ORBIS. By organising fund raising activities, we bring hope to the blind.
- Midland Charitable Foundation organized the “The Charity Movie Night” (慈善電影夜), which was aimed at raising fund for the Hong Kong Federation of Youth Groups.



- Midland Charitable Foundation supported and joined the Walks for Millions, the first fund raising activity organized by The Community Chest in 2009. This event was fully supported by all staff of the Group.

- In response to the earthquakes in Sichuan and the snowstorm in the Mainland China, we took the initiative to give donations to the Hong Kong Red Cross, to help the fellow countrymen in the PRC affected by the earthquakes.



The Group also responded to the anti-poverty programme launched by the Hong Kong Government and acted accordingly:



- Launching the scheme of “Rental Subsidy” for the minority groups in Hong Kong by directly providing rental subsidies to reduce their burden.
- Organizing training programmes for members from poor families and female new immigrants, helping them to live independently by securing a job during the adversity, improving their living standard while reducing the cases of application for the Comprehensive Social Security Assistance.

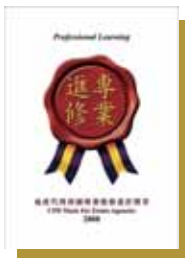
- The Volunteer Team of the Group took part in a number of activities, such as the Walks for Million in the New Territories, the Flag Day and the “Hike for Hospice” of the Society for the Promotion of Hospital, and the “Heart To Heart Project” of the Hong Kong Federation of Youth Groups. They also participated in a number of activities sponsored by the Group, such as “Children Education Development Programme” of the Christian Action, in which they volunteered to be tutors.



RESPONSIBILITY TO THE STAFF

Employees are invaluable assets to the Group. In addition to allocating resources for continuous training and development, the Group also paid particular attention to the performance and management as well as the well-being of the employees:

- We provided over 700 sessions of internal programmes in the year, including those for pressure release and EQ programmes, to stimulate and raise the positive energy among the staff.



- By actively supporting the CPD Marks for Estate Agencies Scheme organised by EAA, the Group has 58 branches clinching the award.



RESPONSIBILITY TO BUSINESS PARTNERS, CLIENTS AND INDUSTRY DEVELOPMENT

It is one of the important corporate social responsibilities for the Group to provide property market information in a fair, unbiased and public way. During the year, the Group participated in and provided a number of forums regarding the property market:

- We organised the forums for the Continuing Professional Development Scheme of the Estate Agents Authority. These functions were in line with the objective of popularizing long term education for investors.
- We participated in large-scale seminars on real estates, providing professional analysis on the property market and promoting education for investors.

The Group also supported the promotion and development activities held by various academic institutions and governmental departments. For example:

- We received various overseas universities for exchange activities, helping them understand the condition and development of Hong Kong property market. This effort helped to promote the development of professional analysis in Hong Kong property market.
- We participated in the “Youth Pre-employment Training Programme in 2008” which was organised by the Labour Department, through which the students earned a chance to visit our branch and to understand more about front-line operations. We also provided job-seeking talks to share the techniques for interviews with the students.



RESPONSIBILITY TOWARDS THE ENVIRONMENT

The Group is dedicated to promoting concepts of environmental conservation to the clients and people from all walks of life in the community.



- Midland Realty was awarded the “Award for Organisations with the Highest Utilisation on Electronic Tax Stamp (Tenancy)” (電子印花服務(租務)最高使用量機構嘉許獎) in 2008, in recognition to its contribution to environmental conservation.

- The Group was awarded the “Hong Kong Awards for Environmental Excellence” – Energy Saving Label (Class of Excellence) (節能標誌(卓越級別)) and Wastewise Label (Class of Excellence) (減廢標誌(卓越級別)) jointly issued by the Environmental Protection Department and the Hong Kong Productivity Council in 2008, in recognition to its contribution to waste reduction and energy saving.

- The Group again participated in the “Tree Planting Challenge”, an environment friendly tree-planting-hiking activity organised by the Friends of the Earth. The activity was fully supported by all staff of the Group, who played a part in the environmental conservation in Hong Kong.



- The Group signed up the “Dress Special Day”, on which we wore the clothes in green to promote the message of environmental conservation.

Report of Directors

DIRECTORS

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 41(i) to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 42 of this Annual Report.

The Directors declared an interim dividend of HK\$0.065 per ordinary share, totalling HK\$47,211,000, which was paid on 17 October 2008.

The Directors proposed a final dividend of HK\$0.01 per ordinary share for the year to shareholders whose names appear on the register of members of the Company on 15 May 2009. Taking into account of the interim dividend payment, the total dividends for the year would amount to HK\$54,453,000, a decrease of approximately 84% over last year. The final dividend will be paid on or around 22 May 2009.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 32 to the financial statements.

CHARITABLE DONATION

During the year, the Group made charitable donation totalling HK\$1,437,000.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of the principal properties held for investment purposes are set out on pages 106 to 107 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company and in share options of its non-wholly-owned subsidiary during the year are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2008, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$280,184,000.

FIVE-YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, a total of 6,666,000 ordinary shares of HK\$0.10 each of the Company were purchased by the Company at prices ranging from HK\$2.02 to HK\$4.93 per share through the Stock Exchange. The Directors considered the share purchase would lead to an enhancement of the Group's earnings per share. Details of the purchases are as follows:

Month	Total number of the shares purchased	Purchase price per share		Aggregate cost HK\$
		Highest HK\$	Lowest HK\$	
June 2008	578,000	4.93	4.77	2,801,060
July 2008	400,000	4.67	4.52	1,846,000
September 2008	4,138,000	2.68	2.22	10,347,740
October 2008	1,550,000	2.44	2.02	3,504,000
	<u>6,666,000</u>			<u>18,498,800</u>

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

RE-ELECTION OF DIRECTORS

During the year and up to the date of this Annual Report, the Directors were as follows:–

Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman and Managing Director*)

Ms. TANG Mei Lai, Metty (*Deputy Chairman*)

Mr. WONG Kam Hong (*Appointed on 19 September 2008*)

Mr. CHAN Kwan Hing

Ms. WONG Ching Yi, Angela (*Appointed on 20 March 2008*)

Ms. LAM Fung Fong (*Resigned on 25 October 2008*)

Mr. KWOK Ying Lung

Ms. IP Kit Yee, Kitty (*Appointed on 25 October 2008*)

Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

Pursuant to bye-law 86 of the Company's bye-laws, Mr. WONG Kam Hong and Ms. IP Kit Yee, Kitty will retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

According to bye-law 87 of the Company's bye-laws, Ms. TANG Mei Lai, Metty, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson are Independent Non-executive Directors and were appointed for a one-year term expiring on 23 September 2009.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

SHARE OPTION SCHEME

Midland Share Option Scheme

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

(1) Purpose

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

(2) Eligible persons

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

(3) Total number of shares available for issue

Total number of shares available for issue are 35,636,609, representing approximately 4.92% of the issued share capital of the Company as at the date of this report.

(4) Maximum entitlement of each eligible person

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

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

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

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

SHARE OPTION SCHEME (Continued)

Midland Share Option Scheme (Continued)

(6) Time of exercise of option

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

(7) Acceptance of offer

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

(8) Basis of determining the subscription price

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

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

(9) The remaining life of the Share Option Scheme

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

Details of the share options granted to Ms. WONG Ching Yi, Angela, an Executive Director of the Company, on 22 October 2007 and the particulars of the movements of share options outstanding during the year under the Share Option Scheme are as follows:

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	Balance outstanding as at 31 December 2008	Exercisable period
Participant							
Ms. WONG Ching Yi, Angela (Note)	22 October 2007	7.858	3,654,487	–	–	3,654,487	1 February 2008 to 31 January 2011
	22 October 2007	7.858	3,654,487	–	–	3,654,487	1 August 2008 to 31 July 2011
Total			<u>7,308,974</u>	<u>–</u>	<u>–</u>	<u>7,308,974</u>	

Note: Ms. WONG Ching Yi, Angela was appointed as an Executive Director of the Company on 20 March 2008.

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

SHARE OPTION SCHEME (Continued)

Midland IC&I Limited Share Option Scheme

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

In connection with the successful transferred of listing of the shares of Midland IC&I from the Growth Enterprise Market (“GEM”) to the Main Board (“Main Board”) of the Stock Exchange on 18 August 2008, Midland IC&I has adopted a 2008 Share Option Scheme (the “Midland IC&I 2008 Share Option Scheme”) at an extraordinary general meeting of Midland IC&I held on 19 September 2008. The Midland IC&I 2005 Share Option Scheme has been terminated and no further options under this scheme has been granted upon the adoption of Midland IC&I 2008 Share Option Scheme. Termination of Midland IC&I 2005 Share Option Scheme would not prejudice the outstanding options granted under such scheme.

The major terms of the Midland IC&I 2008 Share Option Scheme are summarized as follows:

(a) Purpose of the Midland IC&I 2008 Share Option Scheme

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

(b) Participants of the Midland IC&I 2008 Share Option Scheme

The board of Midland IC&I (the “Midland IC&I Board”) may invite any eligible person as the Midland IC&I Board may in its absolute discretion select, having regard to each person’s qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Midland IC&I Group or invested entity.

(c) Total number of shares available for issue

Total number of shares available for issue are 830,000,000, representing approximately 10% of the issued share capital of Midland IC&I as at the date of this report.

(d) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of options granted under the Midland IC&I 2008 Share Option Scheme and any other share option schemes of Midland IC&I to each eligible person, in any 12-month period must not exceed 1% of the shares in issue.

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

SHARE OPTION SCHEME (Continued)

Midland IC&I Limited Share Option Scheme (Continued)

(e) Maximum entitlement of each eligible person who is a connected person

The maximum number of shares issued and to be issued upon exercise of options granted under the Midland IC&I 2008 Share Option Scheme and any other share option schemes of Midland IC&I to each eligible person who is an independent non-executive director or substantial shareholder of Midland IC&I, in any 12-month period shall not exceed 0.1% of the shares in issue and the aggregate value which based on the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of each grant shall not exceed HK\$5,000,000.

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

(f) Time of exercise of option

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

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

SHARE OPTION SCHEME (Continued)

Midland IC&I Limited Share Option Scheme (Continued)

(h) Remaining life of the Midland IC&I 2008 Share Option Scheme

The Midland IC&I 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.

Details of the outstanding share options granted to Mr. TSANG Link Carl, Brian, an non-executive director of Midland IC&I, on 16 January 2006 and the particulars of the movements of share option outstanding during the year under the Midland IC&I 2005 Share Option Scheme are as follows:—

Name	Date of grant	Exercise price HK\$	Balance	Options granted during the year	Exercised/ cancelled/ lapsed during the year	Balance	Exercisable period
			outstanding as at 1 January 2008			outstanding as at 31 December 2008	
Participant							
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
Total			<u>83,000,000</u>	<u>—</u>	<u>—</u>	<u>83,000,000</u>	

Save as disclosed above, no share option had been granted, exercised or lapsed under the Midland IC&I 2008 Share Option Scheme during the year.

DIRECTORS' INTERESTS IN SHARES

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

Number of Ordinary Shares

Name of Directors	Personal Interests	Corporate Interests	Family Interests	Underlying Shares	Total	Percentage of Shareholding
Mr. WONG Kin Yip, Freddie	53,074,000	43,494,144	–	–	96,568,144	13.33%
Ms. TANG Mei Lai, Metty	–	–	96,568,144 (Note 1)	–	96,568,144	13.33%
Ms. WONG Ching Yi, Angela	–	–	–	7,308,974 (Note 2)	7,308,974	1.01%

Notes :

1. These shares represent the same block of shares held by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty, as beneficial owner.
2. Such shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options granted to her.

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

Save as disclosed above, as at 31 December 2008, none of the Directors nor the chief executives of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

Name	Number of Shares	Capacity	Percentage of Shareholding
Sunluck Services Limited	43,494,144 (L)	Beneficial owner	6.01% (Note)
Southern Field Trading Limited	43,494,144 (L)	Interest in controlled corporation	6.01% (Note)
Leung Heung Wing	85,960,000 (L)	Beneficial owner	11.87%
Marathon Asset Management	74,334,000 (L)	Investment manager	10.26%
JP Morgan Chase & Co.	64,829,722 (L)	Beneficial owner	8.95%
	350,000 (S)	Beneficial owner	0.05%
	64,479,722 (P)	Approved lending agent	8.90%
Third Avenue Management LLC, on behalf of numerous portfolios	42,420,000 (L)	Investment manager	5.86%
Universities Superannuation Scheme Ltd	37,950,000 (L)	Trustee	5.24%

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

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to contracts entered into by the Group in the ordinary course of business. Further details are set out in note 40 to the financial statements.

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

CONNECTED TRANSACTIONS

Continuing Connected Transactions

- (a) A tenancy agreement was made on 4 April 2007 between Orient Sheen Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Capital Delta Profits Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Units B1, B2 and B3 on 29th Floor, Tower 1, Admiralty Centre, No.18 Harcourt Road, Hong Kong as its office for the term of two years commencing from 1 July 2007 to 30 June 2009 at a monthly rental of HK\$260,000.
- (b) A tenancy agreement was made on 4 April 2007 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Shop E, Splendid Place, No.39 Tai Koo Shing Road/No. 16 Shipyard Lane, Hong Kong as its shop for the term of twelve months commencing from 16 April 2007 to 15 April 2008 at a monthly rental of HK\$65,700.
- (c) A tenancy agreement was made on 4 April 2007 between Topwick Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let to the tenant a premises located at Shop F, Splendid Place, No.39 Tai Koo Shing Road/No. 16 Shipyard Lane, Hong Kong as its shop for the term of twelve months commencing from 16 April 2007 to 15 April 2008 at a monthly rental of HK\$61,000.
- (d) A tenancy agreement was made on 16 May 2007 between Systems Gold Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Get Best Industries Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby landlord agreed to lease a premises located at Ground Floor with cockloft, No.135 Thomson Road, Wanchai, Hong Kong as its shop for a term of twelve months commencing from 1 June 2007 to 31 May 2008 at a monthly rental of HK\$58,000.
- (e) A tenancy agreement was made on 22 October 2007 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to lease a premises located at Shop E, Ground Floor, Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as its shop for a term of two years commencing from 1 November 2007 to 31 October 2009 at a monthly rental of HK\$48,000.

CONNECTED TRANSACTIONS (Continued)

Connected Transactions

- (f) As disclosed in an announcement dated 5 February 2008, the Group entered into two agreements dated 23 January 2008 and 24 January 2008 respectively with the companies beneficially owned by Mr. WONG Kin Yip, Freddie for the provision of estate agency services by the Group. The total agency fee was amounted to about HK\$110,000.
- (g) As disclosed in an announcement dated 25 February 2008, the Group entered into two agreements both dated 5 February 2008 respectively with the companies beneficially owned by Mr. WONG Kin Yip, Freddie for the provision of estate agency services by the Group. The total agency fee was amounted to about HK\$400,000.
- (h) As disclosed in an announcement dated 11 March 2009, the Group entered into 21 agreements respectively with the companies beneficially owned by Mr. WONG Kin Yip, Freddie and his associates for the provision of estate agency services by the Group within the period from 13 March 2008 to 4 March 2009. The total agency fee was amounted to about HK\$1,625,532.

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

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

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

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

RETIREMENT SCHEME

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

PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND AN ASSOCIATED COMPANY

Details of the Company's principal subsidiaries, jointly controlled entities and an associated company at 31 December 2008 are set out in note 41 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

An analysis of bank loans and liabilities associated with assets held for sales at 31 December 2008 is set out in note 34 and note 29 to the financial statements. Apart from the above, the Group has no other borrowings as at 31 December 2008.

EMOLUMENT POLICY

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Annual 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 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

WONG Kin Yip, Freddie

Chairman and Managing Director

Hong Kong, 20 March 2009

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2008, the Group had bank balances and cash of HK\$941,977,000, whilst bank loans and overdrafts amounted to HK\$27,564,000. The Group's bank loans were secured by certain investment properties and other properties held by the Group with a total net book value of HK\$65,604,000 and with maturity profile set out as follows:

Repayable	HK\$'000
Within 1 year	3,500
After 1 year but within 2 years	3,634
After 2 years but within 5 years	11,761
Over 5 years	8,669

The Group had unutilised banking facilities amounting to HK\$131,076,000 from various banks. The Group's bank balances and cash are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca, and the Group's borrowings are in Hong Kong Dollars. Therefore the Directors consider the Group has no significant exposure to foreign exchange rate fluctuation. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2008, the gearing ratio of the Group was 2%. The gearing ratio is computed on the basis of total bank borrowings divided by the shareholders' funds of the Group.

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

CONTINGENT LIABILITIES

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

EMPLOYEE INFORMATION

As at 31 December 2008, the Group employed 5,844 full time employees of which 4,878 were sales agents and 966 were back office supportive employees.

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

MIDLAND IC&I LIMITED TRANSFERRED LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE

On 18 August 2008, the listing of shares of Midland IC&I was successfully transferred from the GEM to the Main Board of the Stock Exchange reflecting the strong potential for growth of its business and the Group's subsidiary assets. The move could also enhance the Group's profile and future business development.

Independent Auditor's Report



羅兵咸永道會計師事務所

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED**
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 42 to 105, 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 20 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	6	2,254,620	3,871,364
Other income	8	13,789	63,203
Staff costs	9	(1,277,471)	(2,162,598)
Rebate commissions		(12,512)	(74,604)
Advertising and promotion expenses		(184,784)	(240,839)
Operating lease charges in respect of office and shop premises		(312,220)	(266,222)
Impairment of receivables		(199,756)	(110,807)
Depreciation and amortisation costs		(45,141)	(48,503)
Other operating costs		(284,627)	(247,755)
Operating (loss)/profit	11	(48,102)	783,239
Finance income	12	19,197	24,190
Finance costs	12	(2,499)	(8,547)
Share of results of			
Jointly controlled entities		13,811	14,572
An associated company		231	–
(Loss)/profit before taxation		(17,362)	813,454
Taxation	13	(24,037)	(141,241)
(Loss)/profit for the year		(41,399)	672,213
Attributable to			
Equity holders		(40,895)	659,129
Minority interests		(504)	13,084
		(41,399)	672,213
Dividends	15	54,453	343,522
(Loss)/earnings per share	16	HK cent	HK cent
Basic		(5.61)	90.1
Diluted		(5.61)	90.0

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	72,412	83,429
Investment properties	18	71,400	68,713
Leasehold land and land use rights	19	99,222	122,656
Interests in jointly controlled entities	23	30,212	26,370
Interests in an associated company	24	231	–
Available-for-sale financial assets	25	11,949	–
Deferred taxation assets	35	13,629	29,176
		<u>299,055</u>	<u>330,344</u>
Current assets			
Trade and other receivables	28	698,430	1,827,749
Held-to-maturity investments	26	–	11,050
Financial assets at fair value through profit or loss	27	5,278	106,513
Assets held for sale	29	27,137	97,926
Amount due from an associated company	24	9,720	–
Taxation recoverable		25,280	–
Cash and bank balances	30	941,977	1,046,033
		<u>1,707,822</u>	<u>3,089,271</u>
Total assets		<u>2,006,877</u>	<u>3,419,615</u>

Consolidated Balance Sheet (Continued)

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
EQUITY AND LIABILITIES			
Equity holders			
Share capital	31	72,423	73,090
Reserves	32	1,242,832	1,351,606
Proposed dividend and special cash bonus	32	7,242	226,578
		<u>1,322,497</u>	<u>1,651,274</u>
Minority interests		<u>52,835</u>	<u>53,339</u>
Total equity		<u>1,375,332</u>	<u>1,704,613</u>
Non-current liabilities			
Borrowings	34	16,956	28,200
Deferred taxation liabilities	35	1,471	3,570
		<u>18,427</u>	<u>31,770</u>
Current liabilities			
Trade and other payables	33	602,510	1,514,188
Borrowings	34	1,722	3,376
Liabilities associated with assets held for sale	29	8,886	51,940
Taxation payable		–	113,728
		<u>613,118</u>	<u>1,683,232</u>
Total liabilities		<u>631,545</u>	<u>1,715,002</u>
Total equity and liabilities		<u>2,006,877</u>	<u>3,419,615</u>
Net current assets		<u>1,094,704</u>	<u>1,406,039</u>
Total assets less current liabilities		<u>1,393,759</u>	<u>1,736,383</u>

WONG Ching Yi, Angela

Director

IP Kit Yee, Kitty

Director

Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Subsidiaries	21	108,501	108,501
Deferred taxation assets	35	–	35
		<u>108,501</u>	<u>108,536</u>
Current assets			
Other receivables, prepayments and deposits	28	320	499
Amounts due from subsidiaries	22	759,474	1,056,661
Held-to-maturity investments	26	–	11,050
Taxation recoverable		238	–
Cash and bank balances	30	515	313
		<u>760,547</u>	<u>1,068,523</u>
Total assets		<u>869,048</u>	<u>1,177,059</u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital	31	72,423	73,090
Reserves	32	544,186	515,686
Proposed dividend and special cash bonus	32	7,242	226,578
Total equity		<u>623,851</u>	<u>815,354</u>
Current liabilities			
Other payables and accruals	33	5,621	72,906
Amounts due to subsidiaries	22	239,576	287,955
Taxation payable		–	844
Total liabilities		<u>245,197</u>	<u>361,705</u>
Total equity and liabilities		<u>869,048</u>	<u>1,177,059</u>
Net current assets		<u>515,350</u>	<u>706,818</u>
Total assets less current liabilities		<u>623,851</u>	<u>815,354</u>

WONG Ching Yi, Angela
Director

IP Kit Yee, Kitty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008	73,090	1,578,184	1,651,274	53,339	1,704,613
Change in fair value of available-for-sale financial assets	–	(3,459)	(3,459)	–	(3,459)
Currency translation differences	–	7,866	7,866	–	7,866
Net gain recognised directly in equity	–	4,407	4,407	–	4,407
Loss for the year	–	(40,895)	(40,895)	(504)	(41,399)
Total net recognised loss for the year	–	(36,488)	(36,488)	(504)	(36,992)
Re-purchase of own shares	(667)	(17,833)	(18,500)	–	(18,500)
2007 final dividend and special cash bonus paid	–	(226,578)	(226,578)	–	(226,578)
2008 interim dividend paid	–	(47,211)	(47,211)	–	(47,211)
	(667)	(291,622)	(292,289)	–	(292,289)
At 31 December 2008	72,423	1,250,074	1,322,497	52,835	1,375,332
At 1 January 2007	73,245	1,055,477	1,128,722	65,697	1,194,419
Realisation upon disposal of available-for-sale financial assets	–	(2,110)	(2,110)	–	(2,110)
Currency translation differences	–	5,092	5,092	–	5,092
Net gain recognised directly in equity	–	2,982	2,982	–	2,982
Profit for the year	–	659,129	659,129	13,084	672,213
Total recognised income for the year	–	662,111	662,111	13,084	675,195
Reserve arising from group reorganisation	–	25,442	25,442	(25,442)	–
Employee share-based benefits	–	12,580	12,580	–	12,580
Re-purchase of own shares	(155)	(7,745)	(7,900)	–	(7,900)
2006 final dividend paid	–	(52,737)	(52,737)	–	(52,737)
2007 interim dividend paid	–	(116,944)	(116,944)	–	(116,944)
	(155)	(139,404)	(139,559)	(25,442)	(165,001)
At 31 December 2007	73,090	1,578,184	1,651,274	53,339	1,704,613

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	36(a)	281,066	734,142
Hong Kong profits tax paid		(146,044)	(32,823)
Overseas taxation paid		(3,553)	(822)
Interest paid		(2,499)	(8,547)
Net cash from operating activities		128,970	691,950
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	36(b)	–	(929)
Purchase of property, plant and equipment		(46,896)	(42,669)
Purchase of investment properties		(5,409)	(166,230)
Proceeds from disposal of investment properties		1,841	31,026
Proceeds from disposal of assets held for sale		108,996	–
Proceeds from disposal of leasehold land, property, plant and equipment		92	–
Purchase of unlisted debt securities		(2,900)	(62,053)
Purchase of available-for-sale financial assets		(4,637)	–
Proceeds from disposal of unlisted debt securities		19,987	64,747
Proceeds from disposal of available-for-sale financial assets		–	75,070
Proceeds from disposal of held-to-maturity investments		11,050	–
Bank interest received		19,197	24,190
Dividend received from listed investments		1,162	2,863
Dividend received from a jointly controlled entity		10,000	–
Net cash from/(used in) investing activities		112,483	(73,985)
Cash flows from financing activities			
Purchase of own shares		(18,500)	(7,900)
New bank loans		–	73,741
Repayment of bank loans		(57,153)	(2,668)
Dividends paid to equity holders		(273,789)	(169,681)
Net cash used in financing activities		(349,442)	(106,508)
Net (decrease)/increase in cash and cash equivalents			
		(107,989)	511,457
Cash and cash equivalents at beginning of year		1,046,033	529,824
Exchange differences		3,933	4,752
Cash and cash equivalents at end of year		941,977	1,046,033

Notes to the Financial Statements

1 GENERAL INFORMATION

Midland Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, Church Street, Hamilton HM11, Bermuda and its principal office in Hong Kong is Rooms 2505–2508, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong.

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

These financial statements have been approved by the Board of Directors on 20 March 2009.

2 BASIS OF PREPARATION

- (a) 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 investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

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

- (b) 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 significant effect on the results and financial position or changes in the accounting policies of the Group.

2 BASIS OF PREPARATION (CONTINUED)

The following new or revised standards 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 31 Amendment	Interests in Joint Ventures
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

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 Discontinued 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) Consolidation

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

(i) Subsidiaries

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

(ii) Associated company

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associated company are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(ii) Associated company (Continued)

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Jointly controlled entities

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

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

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

(b) Segment reporting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the exchange rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

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

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

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

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

The 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.

(e) Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Changes in fair values are recognised in the income statement as part of other income or other operating costs. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific property.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties (Continued)

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

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

(f) Intangible assets

(i) Goodwill

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

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

(ii) Research and website development costs

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

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

(g) Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

A financial asset 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.

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (Continued)

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included 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.

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

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

Interest on held-to-maturity investments and available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividend on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment recognised in the income statement on equity instruments are not reversed through the income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and other receivables

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

(j) Cash and cash equivalents

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

(k) Share capital

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

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

(l) 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.

(m) Borrowings

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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.

(o) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement scheme obligations

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(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.

(p) Provisions

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

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

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

(q) Revenue recognition

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

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

Internet education and related services involving sales of goods are recognised upon transfer of 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

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

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

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

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

(r) Operating leases

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

(s) Dividend distribution

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

(t) Contingent liabilities

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

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(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 recoverable amount of each individual trade receivables 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) Foreign exchange risk

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

At the balance sheet date, if exchange rate in Hong Kong dollar against Renminbi had been increased or decreased by 3% and all other variables were held constant, the Group's loss before taxation would decrease or increase by approximately HK\$4,000 (2007: HK\$219,000) for the year ended 31 December 2008.

(iii) Price risk

The Group is exposed to equity and debt securities price risk because listed and unlisted equity and debt investments held by the Group which are stated at fair value. To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is carried out in accordance with the limits set by the Group.

At the balance sheet date, if the market value of the equity and debt securities held by the Group had been increased or decreased by 3% and all other variables were held constant, the Group's loss before taxation would decrease or increase by approximately HK\$158,000 (2007: HK\$3,195,000) and the Group's equity would increase or decrease by approximately HK\$516,000 (2007: HK\$3,195,000) for the year ended 31 December 2008.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been increased or decreased by 3% and all other variables were held constant, the Group's loss before taxation would decrease or increase by approximately HK\$126,000 (2007: HK\$644,000) for the year ended 31 December 2008.

(v) 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.

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 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
At 31 December 2008				
Bank borrowings	3,007	3,007	9,021	9,736
Liabilities associated with assets held for sale	1,958	1,918	5,512	–
Trade and other payables	602,510	–	–	–
	<u>607,475</u>	<u>4,925</u>	<u>14,533</u>	<u>9,736</u>
At 31 December 2007				
Bank borrowings	5,067	5,025	14,647	15,903
Liabilities associated with assets held for sale	2,336	52,858	–	–
Trade and other payables	1,514,188	–	–	–
	<u>1,521,591</u>	<u>57,883</u>	<u>14,647</u>	<u>15,903</u>

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 of equity attributable to the equity holders and bank borrowing. 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 adjust the amount of dividend paid to shareholders, repurchase of shares from shareholders or 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.

The Group monitors capital on the basis of the total debt to equity ratio. This ratio is calculated as total borrowings (including liabilities associated with assets held for sale) divided by total equity.

The total debt to equity ratios at 31 December 2008 and 2007 were as follows:

	2008 HK\$'000	2007 HK\$'000
Bank borrowings	18,678	31,576
Liabilities associated with assets held for sale	8,886	51,940
Net debt	<u>27,564</u>	<u>83,516</u>
Total equity	<u>1,375,332</u>	<u>1,704,613</u>
Total debt to equity ratio	<u>2.00%</u>	<u>4.90%</u>

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash and cash equivalents, deposits with financial institutions, and trade and other receivables; and financial liabilities including trade and other payables and borrowings approximate their fair values due to their short-term maturities.

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

The fair value of investment property is based on valuation methods such as recent prices on less active markets or discounted cash flow projections.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

(i) 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.

(ii) Fair value of investment properties

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

(b) Critical judgements in applying the entity's accounting policies

Classification between investment and other properties

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

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

6 REVENUE

	2008 HK\$'000	2007 HK\$'000
Turnover		
Agency fee	2,215,111	3,828,512
Rental from investment properties	4,249	3,287
Web advertising	1,896	6,647
Internet education services	19,806	23,522
Other services	13,558	9,396
	<u>2,254,620</u>	<u>3,871,364</u>

7 SEGMENT INFORMATION

(a) Primary reporting format – Business segments

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

	Year ended and as at 31 December 2008					
	Residential property agency HK\$'000	Industrial, commercial and shop property agency HK\$'000	Property leasing HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000
Revenue						
External	1,954,721	262,327	4,249	33,323	–	2,254,620
Inter-segment	–	–	10,359	2,962	(13,321)	–
Segment revenue	<u>1,954,721</u>	<u>262,327</u>	<u>14,608</u>	<u>36,285</u>	<u>(13,321)</u>	<u>2,254,620</u>
Segment results	<u>(26,569)</u>	<u>11,650</u>	<u>23,819</u>	<u>(3,682)</u>	<u>44,952</u>	<u>50,170</u>
Unallocated costs						<u>(98,272)</u>
Operating loss						<u>(48,102)</u>
Finance income						19,197
Finance costs						(2,499)
Share of results of						
Jointly controlled entities	1,104	–	–	12,707	–	13,811
An associated company	–	–	–	231	–	231
Loss before taxation						<u>(17,362)</u>
Taxation						<u>(24,037)</u>
Loss for the year						<u>(41,399)</u>

7 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – Business segments (Continued)

	Year ended and as at 31 December 2008					
	Residential property agency HK\$'000	Industrial, commercial and shop property agency HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	782,560	202,855	167,836	43,089	–	1,196,340
Interests in jointly controlled entities	1,501	–	–	28,711	–	30,212
Interests in an associated company	–	–	–	231	–	231
Unallocated assets						780,094
Total assets						2,006,877
Segment liabilities	522,883	55,398	1,551	16,197	–	596,029
Unallocated liabilities						35,516
Total liabilities						631,545
Capital expenditure	42,890	2,815	5,409	1,191	–	52,305
Depreciation	37,177	4,001	360	1,022	123	42,683
Amortisation	–	–	2,116	–	342	2,458
Other non-cash expenses	174,922	24,653	1,255	1,917	7,258	210,005

7 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – Business segments (Continued)

	Year ended and as at 31 December 2007					Total HK\$'000
	Residential property agency HK\$'000	Industrial, commercial and shop property agency HK\$'000	Property leasing HK\$'000	Others HK\$'000	Elimination HK\$'000	
Revenue						
External	3,327,551	500,961	3,287	39,565	–	3,871,364
Inter-segment	–	–	9,923	3,144	(13,067)	–
Segment revenue	<u>3,327,551</u>	<u>500,961</u>	<u>13,210</u>	<u>42,709</u>	<u>(13,067)</u>	<u>3,871,364</u>
Segment results	<u>643,078</u>	<u>110,774</u>	<u>30,847</u>	<u>(31,763)</u>	<u>125,459</u>	<u>878,395</u>
Unallocated income						42,213
Unallocated costs						(137,369)
Operating profit						783,239
Finance income						24,190
Finance costs						(8,547)
Share of results of jointly controlled entities	(102)	–	–	14,674	–	14,572
Profit before taxation						813,454
Taxation						(141,241)
Profit for the year						<u>672,213</u>

7 SEGMENT INFORMATION (CONTINUED)

(a) Primary reporting format – Business segments (Continued)

	Year ended and as at 31 December 2007					
	Residential property agency HK\$'000	Industrial, commercial and shop property agency HK\$'000	Property leasing HK\$'000	Others HK\$'000	Corporate HK\$'000	Total HK\$'000
Segment assets	1,860,891	347,813	262,534	71,440	–	2,542,678
Interests in jointly controlled entities	365	–	–	26,005	–	26,370
Unallocated assets						850,567
Total assets						<u>3,419,615</u>
Segment liabilities	1,339,833	196,577	2,425	8,747	–	1,547,582
Unallocated liabilities						167,420
Total liabilities						<u>1,715,002</u>
Capital expenditure	39,876	1,263	166,230	1,530	–	208,899
Depreciation	31,125	3,760	346	1,093	123	36,447
Amortisation	–	–	1,828	9,886	342	12,056
Other non-cash expenses/(income)	<u>77,272</u>	<u>33,466</u>	<u>(16,332)</u>	<u>27,337</u>	<u>12,580</u>	<u>134,323</u>

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, trade and other receivables and operating cash and mainly exclude taxation recoverable. Segment liabilities comprise operating liabilities and mainly exclude taxation payable and borrowings.

7 SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – Geographical segments

	Revenue HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
2008			
Hong Kong and Macau	2,019,836	1,847,354	36,135
Mainland China	234,784	159,523	16,170
	<u>2,254,620</u>	<u>2,006,877</u>	<u>52,305</u>
2007			
Hong Kong and Macau	3,599,720	3,183,107	160,666
Mainland China	271,644	236,508	48,233
	<u>3,871,364</u>	<u>3,419,615</u>	<u>208,899</u>

8 OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Dividend income from listed investments	1,162	2,863
Fair value gains on investment properties	–	16,410
Gain on disposal of a subsidiary	–	698
Gain on disposal of investment properties	91	3,240
Gain on disposal of assets held for sale	12,536	–
Net realised and unrealised gains on financial assets at fair value through profit or loss and available-for-sale financial assets	–	39,992
	<u>13,789</u>	<u>63,203</u>

9 STAFF COSTS

	2008 HK\$'000	2007 HK\$'000
Salaries and allowances	595,448	598,599
Commissions	648,122	1,520,623
Pension costs for defined contribution plans	33,901	30,796
Share-based benefits	–	12,580
	<u>1,277,471</u>	<u>2,162,598</u>

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

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

The cost of MPF scheme charged to the income statement represents contributions paid and payable by the Group to the fund. Contributions totalling HK\$1,437,000 (2007: HK\$2,392,000) which are payable to the fund are included in other payable and accruals as at 31 December 2008.

10 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					
Mr WONG Kin Yip, Freddie	–	13,786	998	12	14,796
Ms TANG Mei Lai, Metty	–	1,193	–	12	1,205
Mr WONG Kam Hong (Note i)	–	2,941	–	4	2,945
Mr CHAN Kwan Hing	–	11,224	–	12	11,236
Ms WONG Ching Yi, Angela (Note ii)	–	690	26	9	725
Mr KWOK Ying Lung	–	3,646	–	12	3,658
Ms IP Kit Yee, Kitty (Note iii)	–	308	50	2	360
Ms LAM Fung Fong (Note iv)	–	3,179	–	10	3,189
	–	36,967	1,074	73	38,114
Independent non-executive directors					
Mr KOO Fook Sun, Louis	200	–	–	–	200
Mr SUN Tak Chiu	200	–	–	–	200
Mr WANG Ching Miao, Wilson	200	–	–	–	200
	600	–	–	–	600
	600	36,967	1,074	73	38,714

10 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 Kin Yip, Freddie	–	13,960	41,331	12	55,303
Ms TANG Mei Lai, Metty	–	1,309	2,927	12	4,248
Mr CHAN Kwan Hing	–	27,109	6,386	12	33,507
Mr KWOK Ying Lung	–	8,558	4,705	12	13,275
Ms LAM Fung Fong (Note iv)	–	2,254	3,471	12	5,737
	–	53,190	58,820	60	112,070
Independent non-executive directors					
Mr KOO Fook Sun, Louis	180	–	–	–	180
Mr SUN Tak Chiu	180	–	–	–	180
Mr WANG Ching Miao, Wilson	180	–	–	–	180
	540	–	–	–	540
	540	53,190	58,820	60	112,610

Notes:

- (i) Mr WONG Kam Hong was appointed on 19 September 2008.
- (ii) Ms WONG Ching Yi, Angela was appointed on 20 March 2008.
- (iii) Ms IP Kit Yee, Kitty was appointed on 25 October 2008.
- (iv) Ms LAM Fung Fong resigned on 25 October 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). HK\$1,222,000 (2007: Nil) was paid to a director as compensation for loss of office during the year.

10 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include five (2007: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual during the year ended 31 December 2007 was as follows:

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

The emoluments fell within the following band:

Emoluments band	Number of individuals 2007
HK\$13,000,001 – HK\$13,500,000	<u>1</u>

11 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging:

	2008 HK\$'000	2007 HK\$'000
Loss on disposal of leasehold land, property, plant and equipment	13,500	2,700
Impairment of intangible assets (Note 20)	–	27,178
Impairment of property, plant and equipment (Note 17)	1,763	168
Net realised and unrealised losses on financial assets		
at fair value through profit or loss	47,771	–
Fair value losses on investment properties (Note 18)	1,095	–
Fair value losses on assets held for sale	160	–
Direct operating expenses arising from investment properties that:		
– generated rental income	136	239
– did not generate rental income	69	438
Auditor's remuneration	<u>3,241</u>	<u>3,431</u>

12 FINANCE INCOME AND COSTS

	2008 HK\$'000	2007 HK\$'000
Finance income		
Bank interest	19,197	24,190
Finance costs		
Interest on bank loans and overdrafts		
Wholly repayable within five years	(931)	(1,714)
Not wholly repayable within five years	(1,387)	(1,562)
	(2,318)	(3,276)
Interest on securities margin financing	(181)	(5,271)
	(2,499)	(8,547)
Finance income, net	<u>16,698</u>	<u>15,643</u>

13 TAXATION

	2008 HK\$'000	2007 HK\$'000
Current		
Hong Kong profits tax	10,214	144,057
Overseas	375	5,106
Deferred (Note 35)	13,448	(7,922)
	<u>24,037</u>	<u>141,241</u>

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 assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

13 TAXATION (CONTINUED)

The tax on the Group's (loss)/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
(Loss)/profit before taxation	(17,362)	813,454
Less: share of results of jointly controlled entities	(13,811)	(14,572)
Less: share of results of an associated company	(231)	–
	<u>(31,404)</u>	<u>798,882</u>
Calculated at a taxation rate of 16.5% (2007: 17.5%)	(5,182)	139,804
Effect of different taxation rates in other countries	414	(670)
Income not subject to taxation	(6,583)	(9,736)
Expenses not deductible for taxation purposes	3,692	15,896
Utilisation of previously unrecognised tax losses	(500)	(7,001)
Tax losses not recognised	31,467	4,024
Temporary differences unrecognised	3	(690)
Remeasurement of deferred tax – change in		
Hong Kong tax rate	1,303	–
Others	(577)	(386)
Taxation charge	<u>24,037</u>	<u>141,241</u>

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 taxation balances have been remeasured.

14 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$100,786,000 (2007: HK\$225,476,000).

15 DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Interim paid of HK\$0.065 (2007: HK\$0.16) per share	47,211	116,944
Proposed final of HK\$0.01 (2007: HK\$0.21) per share	7,242	153,488
35th anniversary special cash bonus of HK\$0.10 per share	–	73,090
	<u>54,453</u>	<u>343,522</u>

At a Board meeting held on 20 March 2009, the directors proposed a final dividend of HK\$0.01 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

16 (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	2008 HK\$'000	2007 HK\$'000
(Loss)/profit attributable to equity holders	<u>(40,895)</u>	<u>659,129</u>
Weighted average number of shares for calculation of basic (loss)/earning per share (thousands)	729,119	731,836
Effect on conversion of share options (thousands)	<u>–</u>	<u>327</u>
Weighted average number of shares for calculation of diluted (loss)/earnings per share (thousands)	<u>729,119</u>	<u>732,163</u>
Basic (loss)/earnings per share (HK cent)	(5.61)	90.1
Diluted (loss)/earnings per share (HK cent)	<u>(5.61)</u>	<u>90.0</u>

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

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

Diluted loss per share for the year ended 31 December 2008 did not assume the exercise of share options outstanding during the year since the exercise of share options would have an anti-dilutive effect.

17 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 31 December 2006						
Cost	23,300	137,081	36,344	147,960	3,778	348,463
Accumulated depreciation	(10,574)	(115,773)	(23,038)	(118,018)	(3,255)	(270,658)
Net book amount	<u>12,726</u>	<u>21,308</u>	<u>13,306</u>	<u>29,942</u>	<u>523</u>	<u>77,805</u>
Year ended 31 December 2007						
Opening net book amount	12,726	21,308	13,306	29,942	523	77,805
Additions	–	24,001	10,765	7,780	123	42,669
Transfer from investment properties (Note 18)	600	–	–	–	–	600
Disposals	–	(1,088)	(329)	(1,283)	–	(2,700)
Depreciation	(307)	(16,779)	(5,032)	(13,991)	(338)	(36,447)
Impairment	–	(69)	–	(99)	–	(168)
Exchange differences	–	783	887	–	–	1,670
Closing net book amount	<u>13,019</u>	<u>28,156</u>	<u>19,597</u>	<u>22,349</u>	<u>308</u>	<u>83,429</u>
At 31 December 2007						
Cost	23,900	153,222	47,736	152,961	3,901	381,720
Accumulated depreciation and impairment	(10,881)	(125,066)	(28,139)	(130,612)	(3,593)	(298,291)
Net book amount	<u>13,019</u>	<u>28,156</u>	<u>19,597</u>	<u>22,349</u>	<u>308</u>	<u>83,429</u>
Year ended 31 December 2008						
Opening net book amount	13,019	28,156	19,597	22,349	308	83,429
Additions	–	27,764	7,544	10,192	1,396	46,896
Transfer from investment properties (Note 18)	210	–	–	–	–	210
Transfer to investment properties (Note 18)	(428)	–	–	–	–	(428)
Transfer to assets held for sale (Note 29)	(1,808)	–	–	–	–	(1,808)
Disposals	–	(8,209)	(4,212)	(1,171)	–	(13,592)
Depreciation	(323)	(21,953)	(6,452)	(13,518)	(437)	(42,683)
Impairment	–	(498)	–	(1,265)	–	(1,763)
Exchange differences	–	917	1,061	166	7	2,151
Closing net book amount	<u>10,670</u>	<u>26,177</u>	<u>17,538</u>	<u>16,753</u>	<u>1,274</u>	<u>72,412</u>
At 31 December 2008						
Cost	21,075	156,911	50,942	149,208	4,225	382,361
Accumulated depreciation and impairment	(10,405)	(130,734)	(33,404)	(132,455)	(2,951)	(309,949)
Net book amount	<u>10,670</u>	<u>26,177</u>	<u>17,538</u>	<u>16,753</u>	<u>1,274</u>	<u>72,412</u>

Buildings with carrying amount of HK\$590,000 (2007: HK\$2,447,000) are pledged as security for the Group's long-term bank loans (Note 34).

18 INVESTMENT PROPERTIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Opening net book amount	68,713	27,548
Additions	5,409	166,230
Transfer from buildings (Note 17)	428	–
Transfer from leasehold land and land use rights (Note 19)	4,937	–
Transfer to buildings (Note 17)	(210)	(600)
Transfer to leasehold land and land use rights (Note 19)	(7,890)	(18,480)
Transfer to assets held for sale	–	(97,926)
Disposals	(1,750)	(27,786)
Change in fair value (Notes 8 and 11)	(1,095)	16,410
Exchange differences	2,858	3,317
Closing net book amount	<u>71,400</u>	<u>68,713</u>

The investment properties were revalued at 31 December 2008 by Mr. Alvin T.P. Lam, a qualified surveyor employed by the Group, based on current prices in an active market for all properties.

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

	Group	
	2008 HK\$'000	2007 HK\$'000
In Hong Kong		
Leases of over 50 years	5,000	5,150
Leases of between 10 to 50 years	14,430	11,850
Outside Hong Kong		
Leases of over 50 years	17,370	17,457
Leases of between 10 to 50 years	28,800	34,256
Lease less than 10 years	5,800	–
	<u>71,400</u>	<u>68,713</u>

Investment properties with net book value of HK\$21,100,000 (2007: HK\$20,940,000) are pledged as security for the Group's long-term bank loans (Note 34).

19 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Opening net book amount	122,656	106,346
Transfer from investment properties (Note 18)	7,890	18,480
Transfer to investment properties (Note 18)	(4,937)	–
Transfer to assets held for sale	(23,929)	–
Amortisation	(2,458)	(2,170)
Closing net book amount	<u>99,222</u>	<u>122,656</u>

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

	Group	
	2008 HK\$'000	2007 HK\$'000
In Hong Kong		
Leases of over 50 years	45,853	71,126
Leases of between 10 to 50 years	29,545	27,311
Outside Hong Kong		
Leases of over 50 years	<u>23,824</u>	<u>24,219</u>
	<u>99,222</u>	<u>122,656</u>

Leasehold land and land use rights with net book value of HK\$18,177,000 (2007: HK\$42,908,000) are pledged as security for the Group's long-term bank loans (Note 34).

20 INTANGIBLE ASSETS

Group

	Goodwill HK\$'000	Website development cost HK\$'000	Total HK\$'000
At 1 January 2007			
Cost	29,750	29,659	59,409
Accumulated amortisation and impairment	(5,410)	(17,310)	(22,720)
Net book amount	<u>24,340</u>	<u>12,349</u>	<u>36,689</u>
Year ended 31 December 2007			
Opening net book amount	24,340	12,349	36,689
Additions	375	–	375
Amortisation	–	(9,886)	(9,886)
Impairment	(24,715)	(2,463)	(27,178)
Closing net book amount	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2007 and 2008			
Cost	30,125	29,659	59,784
Accumulated amortisation and impairment	(30,125)	(29,659)	(59,784)
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>

21 SUBSIDIARIES

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	<u>108,501</u>	<u>108,501</u>

Details of principal subsidiaries are set out in note 41(i) to the financial statements.

22 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	<u>30,212</u>	<u>26,370</u>
Unlisted shares, at costs	<u>3,812</u>	<u>3,812</u>

Details of principal jointly controlled entities are set out in note 41(ii) to the financial statements.

23 INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

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

	2008 HK\$'000	2007 HK\$'000
Assets		
Non-current assets	1,562	654
Current assets	33,697	35,905
	<u>35,259</u>	<u>36,559</u>
Liabilities		
Long-term liabilities	286	286
Current liabilities	4,761	9,903
	<u>5,047</u>	<u>10,189</u>
Net assets	<u>30,212</u>	<u>26,370</u>
Income	44,908	40,990
Expenses, including taxation	(31,097)	(26,418)
Net profit for the year	<u>13,811</u>	<u>14,572</u>

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

24 INTERESTS IN AN ASSOCIATED COMPANY

	2008 HK\$'000	Group 2007 HK\$'000
Share of net assets	231	—
Unlisted shares, at cost	HK\$20	—
Amount due from an associated company	9,720	—

The amount receivable is unsecured, interest free and repayable on demand.

Details of the associated company are set out in note 41(iii) to the financial statements.

24 INTEREST IN AN ASSOCIATED COMPANY (CONTINUED)

The Group's share of the result of its associated company and its aggregated assets and liabilities are as follows:

	2008 HK\$'000	2007 HK\$'000
Assets		
Current assets	28,196	—
Liabilities		
Long-term liabilities	15,642	—
Current liabilities	12,323	—
	27,965	—
Net assets	231	—
Income	268	—
Expenses, including taxation	(37)	—
Net profit for the year	231	—

25 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 HK\$'000	Group 2007 HK\$'000
Unlisted investments, at fair value	11,949	—

26 HELD-TO-MATURITY INVESTMENTS

	Group and Company	
	2008	2007
	HK\$'000	HK\$'000
At amortised cost	—	11,050
At market value	—	10,912

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK\$'000	HK\$'000
Unlisted debt securities, at fair value	5,168	27,087
Equity securities listed in Hong Kong, at market value	110	79,426
	<u>5,278</u>	<u>106,513</u>

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

28 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	687,634	1,767,820	—	—
Less: impairment	(137,982)	(111,503)	—	—
Trade receivables, net	549,652	1,656,317	—	—
Other receivables, prepayments and deposits	148,778	171,432	320	499
	<u>698,430</u>	<u>1,827,749</u>	<u>320</u>	<u>499</u>

28 TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2008 HK\$'000	2007 HK\$'000
Not yet due	496,509	1,380,571
Less than 30 days	17,392	79,578
31 to 60 days	8,760	65,354
61 to 90 days	9,084	37,955
91 to 180 days	17,907	92,859
	<u>549,652</u>	<u>1,656,317</u>

Trade receivables of HK\$53,143,000 (2007: HK\$275,746,000) are past due but not impaired. Such receivables are past due less than six months.

Trade receivables of HK\$137,982,000 (2007: HK\$111,503,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	2008 HK\$'000	2007 HK\$'000
Less than 6 months	8,072	—
6 to 12 months	53,368	55,820
Over 12 months	76,542	55,683
	<u>137,982</u>	<u>111,503</u>

28 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2008 HK\$'000	2007 HK\$'000
At beginning of year	111,503	89,880
Provision for impairment	211,514	118,393
Write-off of uncollectible debts	(173,277)	(89,184)
Unused amounts reversed	(11,758)	(7,586)
At end of year	<u>137,982</u>	<u>111,503</u>

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

29 ASSETS HELD FOR SALE

The Group has determined to dispose of certain leasehold land and building, and investment properties with aggregated fair value of HK\$27,137,000 (2007: HK\$97,926,000) as at 31 December 2008. The related secured loans of HK\$8,886,000 (2007: HK\$51,940,000) will be repaid upon completion of the disposal. Accordingly, these assets and liabilities are presented separately in the balance sheet. Assets held for sale with net book value of HK\$25,737,000 (2007: HK\$89,700,000) are pledged as security for the Group's liabilities associated with assets held for sale.

30 CASH AND BANK BALANCES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	184,812	311,400	515	313
Short-term bank deposits	757,165	734,633	–	–
Cash and cash equivalents	<u>941,977</u>	<u>1,046,033</u>	<u>515</u>	<u>313</u>

The short-term bank deposits include guarantee deposits of HK\$9,529,000 (2007: HK\$13,120,000) which are placed by a wholly-owned subsidiary for business purposes at a designated bank account in the People's Republic of China.

31 SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
At 1 January 2007	732,451,425	73,245
Cancellation of repurchased shares (Note b)	(1,554,000)	(155)
At 31 December 2007	730,897,425	73,090
Cancellation of repurchased shares (Note b)	(6,666,000)	(667)
At 31 December 2008	724,231,425	72,423

Notes:

- (a) The authorised share capital comprises of 1,000 million shares (2007: 1,000 million shares) with a par value of HK\$0.10 per share (2007: HK\$0.10 per share). All issued shares are fully paid.
- (b) During the year, the Company repurchased and cancelled 6,666,000 (2007: 1,554,000) of its own shares on the Stock Exchange at an aggregated consideration of HK\$18,500,000 (2007: HK\$7,900,000).
- (c) Share options of the Company

At the special general meeting of the Company held on 30 April 2002, an ordinary resolution was passed under which a share option scheme (the "Share Option Scheme") was adopted and approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the Board of Directors may, at their discretion, grant to any eligible persons including directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company's share at the subscription price not less than the highest of (i) closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share of the Company. Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company as consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes shall not exceed 35,636,609 shares, representing 4.92% of the shares in issue as at 20 March 2009.

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

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

Movements in the number of share options outstanding at the end of year having the following 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 of year	7.858	7,308,974	–	–
Granted	–	–	7.858	7,308,974
At end of year	7.858	7,308,974	7.858	7,308,974

31 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(c) Share options of the Company (Continued)

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

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

(d) Share options of Midland IC&I Limited ("Midland IC&I")

(i) 2005 Share Option Scheme

On 6 June 2005, Midland IC&I adopted a share option scheme (the "Scheme") pursuant to an ordinary resolution. Under the Scheme, Midland IC&I may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of Midland IC&I and its subsidiaries, or any other eligible persons, who, as determined by the directors of Midland IC&I, have contributed or will contribute to the growth and development of the Group to subscribe for shares of Midland IC&I, subject to a maximum of 10% of the nominal value of the issued share capital of Midland IC&I from at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of Midland IC&I, and will not be less than the higher of: (i) the nominal value of the shares of Midland IC&I; (ii) the average of the closing price of the shares of Midland IC&I quoted on the Growth Enterprise Market ("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 GEM Listing Rules. The Scheme was terminated upon adoption of a new share option scheme on 19 September 2008 as set out in note 31(d)(ii). Termination of the Scheme would not prejudice the outstanding options granted under the Scheme.

Movements in the number of share options outstanding 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	<u>83,000,000</u>	0.06	<u>83,000,000</u>

31 SHARE CAPITAL (CONTINUED)

Notes: (Continued)

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

(i) 2005 Share Option Scheme (Continued)

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

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

(ii) 2008 Share Option Scheme

On 19 September 2008, Midland IC&I 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 Midland IC&I and its subsidiaries, or any other eligible persons, who, as determined by the directors of Midland IC&I, have contributed or will contribute to the growth and development of the Group to subscribe for shares of Midland IC&I, subject to a maximum of 10% of the nominal value of the issued share capital of Midland IC&I at the adoption time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by the directors of Midland IC&I, and will not be less than the higher of: (i) the nominal value of the shares of Midland IC&I; (ii) the average of the closing price of the shares of Midland IC&I quoted on the 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 of securities of 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.

32 RESERVES

Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Employee benefits reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2008	265,317	3,271	(11,553)	14,232	7,448	–	1,299,469	1,578,184
Change in fair value of available-for-sales financial assets	–	–	–	–	–	(3,459)	–	(3,459)
Currency translation differences	–	–	–	–	7,866	–	–	7,866
Loss for the year	–	–	–	–	–	–	(40,895)	(40,895)
Re-purchase of own shares	(17,833)	667	–	–	–	–	(667)	(17,833)
2007 final dividend and special cash bonus paid	–	–	–	–	–	–	(226,578)	(226,578)
2008 interim dividend paid	–	–	–	–	–	–	(47,211)	(47,211)
At 31 December 2008	<u>247,484</u>	<u>3,938</u>	<u>(11,553)</u>	<u>14,232</u>	<u>15,314</u>	<u>(3,459)</u>	<u>984,118</u>	<u>1,250,074</u>
Representing:								
Reserves	247,484	3,938	(11,553)	14,232	15,314	(3,459)	976,876	1,242,832
2008 proposed final dividend (Note 15)	–	–	–	–	–	–	7,242	7,242
At 31 December 2008	<u>247,484</u>	<u>3,938</u>	<u>(11,553)</u>	<u>14,232</u>	<u>15,314</u>	<u>(3,459)</u>	<u>984,118</u>	<u>1,250,074</u>

32 RESERVES (CONTINUED)

Group (Continued)

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

32 RESERVES (CONTINUED)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2008	265,317	3,271	12,580	108,001	353,095	742,264
Profit for the year	–	–	–	–	100,786	100,786
Re-purchase of own shares	(17,833)	667	–	–	(667)	(17,833)
2007 final dividend and special bonus paid	–	–	–	–	(226,578)	(226,578)
2008 interim dividend paid	–	–	–	–	(47,211)	(47,211)
At 31 December 2008	<u>247,484</u>	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>179,425</u>	<u>551,428</u>
Representing:						
Reserves	247,484	3,938	12,580	108,001	172,183	544,186
2008 proposed final dividend (Note 15)	–	–	–	–	7,242	7,242
At 31 December 2008	<u>247,484</u>	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>179,425</u>	<u>551,428</u>

32 RESERVES (CONTINUED)

Company (Continued)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2007	273,062	3,116	–	108,001	2,110	297,455	683,744
Realised upon disposal of available-for-sale financial assets	–	–	–	–	(2,110)	–	(2,110)
Profit for the year	–	–	–	–	–	225,476	225,476
Re-purchase of own shares	(7,745)	155	–	–	–	(155)	(7,745)
Employee share-based benefits	–	–	12,580	–	–	–	12,580
2006 final dividend paid	–	–	–	–	–	(52,737)	(52,737)
2007 interim dividend paid	–	–	–	–	–	(116,944)	(116,944)
At 31 December 2007	<u>265,317</u>	<u>3,271</u>	<u>12,580</u>	<u>108,001</u>	<u>–</u>	<u>353,095</u>	<u>742,264</u>
Representing:							
Reserves	265,317	3,271	12,580	108,001	–	126,517	515,686
2007 proposed final dividend (Note 15)	–	–	–	–	–	153,488	153,488
Special cash bonus proposed (Note 15)	–	–	–	–	–	73,090	73,090
At 31 December 2007	<u>265,317</u>	<u>3,271</u>	<u>12,580</u>	<u>108,001</u>	<u>–</u>	<u>353,095</u>	<u>742,264</u>

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

33 TRADE AND OTHER PAYABLES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade payables	338,956	1,022,017	–	–
Other payable and accruals	263,554	492,171	5,621	72,906
	<u>602,510</u>	<u>1,514,188</u>	<u>5,621</u>	<u>72,906</u>

The trade payables represent principally the commissions payable to property consultants and cooperative estate agents. 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\$42,559,000 (2007: HK\$151,810,000) which are due for payment within 30 days, and all the remaining trade payables are not yet due.

34 BORROWINGS

	Group	
	2008 HK\$'000	2007 HK\$'000
Non-current		
Secured bank loans	16,956	28,200
Current		
Secured bank loans	1,722	3,376
Total	<u>18,678</u>	<u>31,576</u>

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

34 BORROWINGS (CONTINUED)

The Group's borrowings are repayable as follows:

	2008 HK\$'000	2007 HK\$'000
Within 1 year	1,722	3,376
Between 1 and 2 years	1,856	3,488
Between 2 and 5 years	6,431	11,204
Wholly repayable within 5 years	10,009	18,068
Over 5 years	8,669	13,508
	<u>18,678</u>	<u>31,576</u>

The effective interest rates of bank loans range from 2.15% to 7.68% (2007: 4.95% to 6.98%).

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

	Carrying amount		Fair value	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Secured bank loans	<u>18,678</u>	<u>31,576</u>	<u>18,696</u>	<u>31,597</u>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.15% to 7.68% (2007: 3.90% to 6.98%).

The Group has the following undrawn borrowing facilities:

	2008 HK\$'000	2007 HK\$'000
Floating rates		
Expiring within one year	<u>131,076</u>	<u>198,781</u>

35 DEFERRED TAXATION

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Deferred taxation assets	(13,629)	(29,176)	–	(35)
Deferred taxation liabilities	1,471	3,570	–	–
	<u>(12,158)</u>	<u>(25,606)</u>	<u>–</u>	<u>(35)</u>

The net movements on the deferred taxation are as follows:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
At beginning of year	(25,606)	(17,684)	(35)	(350)
Recognised in the income statement (Note 13)	13,448	(7,922)	35	315
At end of year	<u>(12,158)</u>	<u>(25,606)</u>	<u>–</u>	<u>(35)</u>

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

Deferred taxation assets

	Group				Company	
	Provision HK\$'000	Fair values HK\$'000	Accelerated depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000	Provision HK\$'000
At 1 January 2007	(4,681)	–	(4,388)	(10,307)	(19,376)	(350)
Recognised in the income statement	<u>(11,181)</u>	<u>–</u>	<u>67</u>	<u>1,687</u>	<u>(9,427)</u>	<u>315</u>
At 31 December 2007	(15,862)	–	(4,321)	(8,620)	(28,803)	(35)
Recognised in the income statement	<u>12,293</u>	<u>(511)</u>	<u>(227)</u>	<u>3,141</u>	<u>14,696</u>	<u>35</u>
At 31 December 2008	<u>(3,569)</u>	<u>(511)</u>	<u>(4,548)</u>	<u>(5,479)</u>	<u>(14,107)</u>	<u>–</u>

35 DEFERRED TAXATION (CONTINUED)

Deferred taxation liabilities

	Group		
	Accelerated depreciation HK\$'000	Fair values HK\$'000	Total HK\$'000
At 1 January 2007	1,689	3	1,692
Recognised in the income statement	111	1,394	1,505
At 31 December 2007	1,800	1,397	3,197
Recognised in the income statement	(716)	(532)	(1,248)
At 31 December 2008	1,084	865	1,949

Deferred taxation assets are recognised for tax loss 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\$55,409,000 (2007: HK\$32,904,000) in respect of losses amounting to HK\$310,063,000 (2007: HK\$174,654,000) as at 31 December 2008. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK\$185,176,000 (2007: HK\$82,770,000) will expire from 2009 to 2013 (2007: from 2008 to 2012).

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

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Deferred taxation assets				
Recoverable more than twelve months	(10,503)	(22,812)	–	(35)
Recoverable within twelve months	(3,126)	(6,364)	–	–
	<u>(13,629)</u>	<u>(29,176)</u>	<u>–</u>	<u>(35)</u>
Deferred taxation liabilities				
Payable or settle after more than twelve months	1,004	3,556	–	–
Payable or settle within twelve months	467	14	–	–
	<u>1,471</u>	<u>3,570</u>	<u>–</u>	<u>–</u>

36 CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK\$'000	2007 HK\$'000
Operating (loss)/profit	(48,102)	783,239
Depreciation and amortisation costs	45,141	48,503
Impairment of property, plant and equipment	1,763	168
Net realised and unrealised losses/(gains) on financial assets at fair value through profit or loss and available-for-sale financial assets	4,832	(25,580)
Loss on disposal of leasehold land, property, plant and equipment	13,500	2,700
Gains on disposal of investment properties	(91)	(3,240)
Gains on disposal of assets held for sale	(12,536)	–
Fair value losses/(gains) on investment properties	1,095	(16,410)
Fair value losses on assets held for sale	160	–
Impairment of intangible assets	–	27,178
Gain on disposal of a subsidiary	–	(698)
Employee share-based benefits	–	12,580
Dividend income from listed investments	(1,162)	(2,863)
Operating profit before working capital changes	4,600	825,577
Increase in amount due from an associated company	(9,720)	–
Decrease/(increase) in trade and other receivables	1,129,319	(825,200)
Decrease/(increase) in equity securities	68,545	(59,442)
(Decrease)/increase in trade and other payables	(911,678)	793,207
Net cash generated from operations	<u>281,066</u>	<u>734,142</u>

36 CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Business combination

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

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

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

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

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

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

There was no acquisition during the year ended 31 December 2008.

36 CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Disposal of a subsidiary

	2007 HK\$'000
Net liabilities disposed of:	
Trade and other payables	(698)
	(698)
Gain on disposal	698
Consideration	—

37 CONTINGENT LIABILITIES

The Company executed corporate guarantee as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries and an associated company of HK\$320,010,000 (2007: HK\$311,800,000). In addition, the Company guaranteed the payment of operating lease rentals in respect of certain premises for its wholly-owned subsidiaries. At 31 December 2008, HK\$41,190,000 and HK\$78,211,000 of the banking facilities were utilised by the subsidiaries and an associated company respectively (2007: HK\$97,291,000 and Nil respectively).

38 FUTURE LEASE RENTAL PAYMENT RECEIVABLE

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Within one year	4,706	2,873
Between one year and five years	5,057	4,873
	<u>9,763</u>	<u>7,746</u>

39 COMMITMENTS

(a) Capital commitments

	Group	
	2008 HK\$'000	2007 HK\$'000
Property, plant and equipment Contracted but not provided for	<u>22,942</u>	<u>—</u>

The Company does not have any capital commitments for both 2008 and 2007.

(b) Operating lease commitments

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Within one year	181,874	261,856
Between one year and five years	87,855	239,385
More than five years	363	6,636
	<u>270,092</u>	<u>507,877</u>

The Company does not have any operating lease commitments for both 2008 and 2007.

40 RELATED PARTY TRANSACTIONS

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

	Note	2008 HK\$'000	2007 HK\$'000
(a) Transactions with related parties			
Agency fee income from related companies	(i)	2,013	4,219
Advertising service income from a jointly controlled entity	(ii)	216	216
Commission expenses paid to jointly controlled entity and a related company	(iii)	110	10
Operating lease rental expenses in respect of office and shop premises to related companies	(iv)	6,392	5,207
Purchase of investment properties	(v)	<u>5,409</u>	<u>–</u>
(b) Key management compensation			
Salaries and allowances	(vi)	<u>38,114</u>	<u>112,070</u>
(c) Loan to a related party	(vii)	<u>198</u>	<u>198</u>

Notes:

- (i) Agency fee from related companies represents agency fee for property brokerage to certain companies, in which, a director has beneficial interests of these companies, on terms mutually agreed by both parties.
- (ii) The amount represents advertising services provided to a jointly controlled entity.
- (iii) Commission expenses to jointly controlled entities and a related company represents commission paid for property agency transactions referred by the jointly controlled entity and a related company on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with certain related companies, in which, a director of the Company has beneficial interests of these companies, on terms mutually agreed by both parties.
- (v) The amount represents the purchase consideration for four investment properties acquired from an associated company during the year.
- (vi) The amount represents emolument paid or payable to executive directors for the year.
- (vii) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANY

(i) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and place of operation	Interest held %
Astra Profits Limited (Notes a and b)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100
Diamond Century Limited	Hong Kong	1 share of HK\$1	Investment holding in Hong Kong	100
Guangzhou Midland Property Agency Company Limited (Note b)	The People's Republic of China	US\$3,830,000	Property agency in the People's Republic of China	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share of HK\$1	Investment holding in the People's Republic of China	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Midland IC&I Limited	Cayman Islands	8,300,000,000 shares of HK\$0.01 each	Investment holding in Hong Kong	51.81
Midland CyberNet Limited	Hong Kong	39,100,000 shares of HK\$1 each	Operation of internet website in Hong Kong	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares of HK\$1 each	Administration and management in Hong Kong	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100

41 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANY (CONTINUED)

(i) Principal subsidiaries (Continued)

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

41 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANY (CONTINUED)

(i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and place of operation	Interest held %
Perfect Tower Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100
Wise Sense Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Macau	100
Chorway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100
Chinsura Limited	British Virgin Islands	1 share of US\$1	Property investment in the People's Republic of China	100
Kartau Investments Limited	British Virgin Islands	1 share of US\$1	Property investment in the People's Republic of China	100
縱橫擔保(深圳)有限公司 (Note b)	The People's Republic of China	US\$5,400,000	Mortgage guarantee business in the People's Republic of China	100
Inspeed Group Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
Hansie Investments Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
美聯物業代理(深圳) 有限公司 (Note b)	The People's Republic of China	US\$6,600,000	Property agency in the People's Republic of China	100

41 PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANY (CONTINUED)

(ii) Jointly controlled entities

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

(iii) Associated company

Company name	Place of incorporation	Principal activities and place of operation	interest held %
Top Bright Electronics Limited (Note b)	Hong Kong	Property investment in Hong Kong	20%

Notes:

- (a) This subsidiary is directly held by the Company.
- (b) These subsidiaries, jointly controlled entities and associated company are not audited by PricewaterhouseCoopers, Hong Kong.

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Room 707, Fortress Tower, No. 250 King's Road, Fortress Hill, Hong Kong	IL8416	Commercial	Long	100%
Units 1202, 1203 and 1204 on 12th Floor of Tower 1, Henderson Centre, Beijing Jianguomen Avenue, Dongcheng District, Beijing, The People's Republic of China	N/A (Note)	Commercial	Medium	100%
Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, Nos. 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories	TWTL 303	Commercial	Medium	100%
Units K17 and L17 on 17th Floor and Carpark Nos. 331 and 341, Pak Tak Tai Ha (Chong Tou) Alameda Dr Carlos D' Assumpcao, Nos 249-263, Macau	N/A (Note)	Commercial	Short	100%
Shop No. 1 on Floor, The Mall of Commercial Development, Locwood Court, Kingswood Villas, No.1 Tin Wu Road, Tin Shui Wai, New Territories	TSWTL 1	Commercial	Medium	100%
Units A3801, A3803, A3805, A3806, A3808, A3809, A3810 and A3812 on Level 38 of Block A, Lianhe Guangchang, at the junction of Bin He North Road and Cai Tin Road, Futian District, Shenzhen, The People's Republic of China	N/A (Note)	Commercial	Medium	100%
Level 39, Hong Chang Guangchag, At the junction of Shen Nan Main Road and Wen Jin South Road, Luohu District, Shenzhen The People's Republic of China	N/A (Note)	Commercial	Long	100%
Shop No 1D 128 on Level 1, Sun Asia Guo Li Building, No 8 Zhong Hang Road, Futian District, Shenzhen The People's Republic of China	N/A (Note)	Commercial	Long	100%

Location	Lot number	Existing use	Lease term	Group's interest
Shop No. 1D 188 on level 1 Sun Asia Guo Li Building No. 8 Zhong Hang Road Futian District, Shenzhen The People's Republic of China	N/A (Note)	Commercial	Long	100%
Workshop No. 5 on 9th Floor Lemmi Centre No. 50 Hoi Yuen Road Kwun Tong, Kowloon	KTIL 82	Commercial	Medium	100%
Workshop No. 9 on 9th Floor Lemmi Centre No. 50 Hoi Yuen Road Kwun Tong, Kowloon	KTIL 82	Commercial	Medium	100%
Workshop No. 6 on 13th Floor Lemmi Centre No. 50 Hoi Yuen Road Kwun Tong, Kowloon	KTIL 82	Commercial	Medium	100%
Workshop No. 6 on 17th Floor Lemmi Centre No. 50 Hoi Yuen Road Kwun Tong, Kowloon	KTIL 82	Commercial	Medium	100%

Note: Property located in the People's Republic of China and Macau without lot number.

Five-year Financial Summary

	Year ended 31 December				
	Restated				
	2004	2005	2006	2007	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,995,939	2,369,468	2,014,658	3,871,364	2,254,620
(Loss)/profit attributable to equity holders of the Company	330,726	213,626	149,940	659,129	(40,895)
Total assets	1,460,398	1,847,152	1,929,216	3,419,615	2,006,877
Total liabilities	648,123	774,765	734,797	1,715,002	631,545
Minority interests	–	71,049	65,697	53,339	52,835
Net assets	812,275	1,001,338	1,128,722	1,651,274	1,322,497
Total equity	812,275	1,072,387	1,194,419	1,704,613	1,375,332
(Loss)/earnings per share-basic (HK cents)	47.00	29.20	20.40	90.10	(5.61)
Dividend per share (HK cents)	19.30	11.60	10.00	47.00	7.50

Note: Certain comparative figures for the year ended 31 December 2004 have been restated to reflect the adoption of new/revised Hong Kong Financial Reporting Standards.

