美聯工商舖
MIDLAND IC&I
(459) 香港聯交所上市公司

誠信為本 專業為您

MIDLAND IC&I LIMITED
美聯工商舖有限公司*

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

時刻領先 傲視同儕
Always staying ahead of the competition

年報 2011
Annual Report

*For identification purposes only 僅供識別

美聯工商舖
MIDLAND IC&I
(459) 香 港 聯 交 所 上 市 公 司
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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. TANG Mei Lai, Metty
(Chairman and Managing Director)
Mr. WONG Tsz Wa, Pierre
(Deputy Chairman)
Ms. WONG Ching Yi, Angela
Mr. WONG Hon Shing, Daniel
(Chief Executive Officer)

Non-executive Director

Mr. TSANG Link Carl, Brian
(with Mr. CHU Kuo Fai, Gordon as his alternate)

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. MOK Ka Fai

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of Communications Co., Ltd. Hong Kong Branch
CITIC Bank International Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG LEGAL ADVISERS

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

CAYMAN ISLANDS LEGAL ADVISERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midlandici.com.hk

STOCK CODE

459

REVIEW

For the year ended 31 December 2011, the Group recorded net profit of HK$90.5 million, down 24.9% from the year before. Meanwhile, revenue dropped 14.5% to HK$457.1 million. A drastic downturn in business environment in the second half of 2011 was responsible for paring down both profit and income. Plagued by the sovereign debt crisis in Europe, the commercial, industry and retail sector of the property market faltered in the second half, causing the Group's profit and revenue to fall 56.7% and 38.7% respectively from the first-half level. Although Hong Kong's economy fared well during that period, with GDP growing 5.0% and retail sales increasing substantially, both end-users and investors clearly were less than eager to enter the market. We take the view, therefore, that the non-residential property sector is unlikely to rebound to the peak of 2010 in the near term. But in the longer term, we are optimistic about the sector's prospects and shall stay ready to raise our standing in the market when the opportunity arises.

Turned sour in the second half

In the first half of 2011, an active non-residential market coupled with various timely moves, the Company yielded the best interim results upon listing. Subsequently, despite a sharp downturn in non-residential property transactions, the Group was able to record a profit in the second half, thanks to the dedication of management and staff alike.

2011 was characterised by two extremes in market conditions between the first and the second half. In the first half, tightening government measures imposed on residential properties had deterred investors from the residential sector and channeled some capital to industrial and commercial properties instead. Towards the third quarter, however, even the non-residential sector cooled down. Transaction records at the Land Registry show the transaction volume of non-residential properties had plunged 39% in the second half from the first half. The sector was especially quiet in the fourth quarter. In turn, the poor performance of the sector also affected the overall property market during that period.

A number of negative factors were responsible for weakening the market sentiment:

- The loan-to-deposit ratio at Hong Kong's banks trended up during the year, dulling lenders' incentive to grant mortgage loans and causing some even to raise the mortgage rate slightly. Tightening liquidity certainly did its fair share to hurt the property market.

- The worsening sovereign debt crisis in the Euro Zone worried investors, causing them to think twice before entering the market.

- The local stock market also slowed down in the second half, with the Hang Seng Index logging a steep drop in the fourth quarter. For a sector that targets mainly investors, a downturn in stocks certainly means less liquidity to invest in commercial and industrial properties.

- The financial services sector continued to be plummeted by credit issues and layoffs. As a result, demand for office premises was also affected.

OUTLOOK

For the non-residential sector, 2012 will be full of challenges as well as opportunities. Undoubtedly, Hong Kong and the rest of the world will continue to feel the adverse effects of the sovereign debt problem in Europe. Whether the debt situation will have as adverse an influence on Hong Kong's financial scene remains to be seen but it is clear and present certainly. However, Hong Kong's economic fundamentals are sound. Also, mainland China has been loosening its grip on monetary controls, most notably, by lowering the reserve ratio for Chinese banks three times since last November. These are developments conducive to investors' optimism. In this light, the Company is cautiously optimistic towards the non-residential sector and will stay prepared to take initiative to reinforce its leadership in the market.

Sector's outlook likely to be stable

After the 30-month bull run from 2009 through June 2011, the non-residential sector has stabilised, with the prices of certain office buildings actually coming off the peak levels. We are of the view that the investment sentiment seen in the first half of last year is unlikely to emerge again in the near future.

Having said that, we must qualify by noting that although the financial services sector appears to be consolidating and thus showing less demand for grade-A offices, quite a number of mainland Chinese companies are setting up in Hong Kong and offsetting the reduced demand. In other words, quality commercial buildings still offer investment potential. Not too long ago, the then popular movement to "revitalise" industrial buildings had buoyed the industrial and commercial sector as a whole. The euphoria apparently has lost steam recently. The higher volume of transactions driven by revitalisation has tapered off. We believe that it will take a round of positive Government measures to give the broking of industrial and commercial properties another breakthrough.

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1. The Group was awarded the "2011 Best Under a Billion" and one of the most prestigious recognition "The Best Return on Investment – Long Term" by Forbes Asia, an international magazine.
2. Five years in a row, the Group was awarded the "Excellent Brand of Commercial Property Agent" in the Hong Kong Leaders' Choice.
3. With proactive and sincere attitude, the Professional Teams of the Group has earned support from our honorable clients and achieved good performance.

Retail premises, on the other hand, will continue to do well in a city favoured by mainland Chinese consumers as a shoppers' paradise. Moreover, a number of international brand names, including United States fashion Forever 21, A & F (Abercrombie & Fitch) and the Taiwanese bookstore Eslite, have and set up in Hong Kong. This certainly will attract more tourists to the city.

Get set to pounce on opportunity

The Company believes that a number of positive developments will continue to bolster the non-residential sector this year. To start with, a slight loosening of the monetary policy has raised liquidity somewhat recently. For a sector that depends a lot on investors, this is a positive turn of events indeed. The stock market also fared better since the turn of the year, thus improving investor sentiment. Having said that, the non-residential sector surely will stay in the grips of the negative factors afore-mentioned, so do not bet on its activity to rebound to the first-half level of 2011.

Over the years, the Company has invested considerably in training front-line staff and bringing up to high professional standards and our training has been successful so far. Looking ahead, the Company will spare no effort in raising the professional standards of our staff, believing that the productivity of our frontline will improve accordingly. More recently, a number of promotions of worthy management personnel also helped bolster the executive team and moved us one step closer to improving our service standards. We are hopeful that promotions from within will boost the sales volume across different sectors, thus giving the Company the flexibility to deploy multi-pronged strategies to raise its leadership in the property market and seek for new business opportunities.

APPRECIATION

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

WONG Hon Shing, Daniel
Executive Director and Chief Executive Officer

Hong Kong, 15 March 2012

EXECUTIVE DIRECTORS

Ms. TANG Mei Lai, Metty, aged 56, has been the Chairman and Executive Director of the Company since September 2008. She is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Ms. TANG has also been appointed as Managing Director of the Company since October 2008. She is responsible for the Group's overall strategic planning, business development as well as investment strategy and management.

Ms. TANG has been the executive director of Midland Holdings Limited ("Midland Holdings"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the controlling shareholder of the Company since December 2005. She acted as the deputy chairman of Midland Holdings from December 2005 to March 2011.

Ms. TANG is currently the director, president and honorary member of Midland Charitable Foundation Limited ("Midland Charitable Foundation") and participates in charitable activities from time to time. Ms. TANG joined Midland Holdings and its subsidiaries ("Midland Group") in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the chairman, managing director and executive director of Midland Holdings and is also the mother of Ms. WONG Ching Yi, Angela, the Executive Director of the Company and the deputy chairman, deputy managing director and executive director of Midland Holdings.

Mr. WONG Tsz Wa, Pierre, aged 48, has been appointed as Deputy Chairman of the Company since December 2011 and has been the Executive Director of the Company since June 2007. During June 2007 to December 2011, he acted as the Chief Executive Officer of the Company. He is also the member of the Remuneration Committee and Nomination Committee of the Company.

Mr. WONG is responsible for the Group's overall business strategy and development as well as implementation of corporate strategies and policy for achieving the overall business objectives. He is also responsible for overseeing the frontline sales force, surveying, public relations and marketing functions of the Group. He has been a member of the Chairman Office of Midland Holdings since December 2011.

Mr. WONG joined Midland Group in 1993 and joined the Group in 2007. Mr. WONG holds a master's degree in business administration. He has over 24 years of experience in non-residential property agency business in Hong Kong.

Ms. WONG Ching Yi, Angela, aged 31, has been the Executive Director of the Company since December 2011. During June 2007 to March 2008, she was the Executive Director of the Company.

Ms. WONG plays a leading role in the Chairman's Office of Midland Holdings and is responsible for formulating, overseeing and implementing Midland Group's overall corporate strategies, enhancing the efficiencies and effectiveness of Midland Group as well as corporate development of Midland Group. She is also responsible for overseeing various functions of Midland Group, such as finance and accounting, marketing, company secretarial, information technology and investor relations.

Ms. WONG has been the executive director of Midland Holdings since March 2008 and has been the deputy chairman of Midland Holdings since March 2011 and deputy managing director of Midland Holdings since August 2011.

Ms. WONG is a director of various members of Midland Group, including mReferral Corporation Limited, a joint venture company of Midland Group with a leading developer. She is also a director and the vice president of Midland Charitable Foundation.

EXECUTIVE DIRECTORS (Continued)

Ms. WONG is a member of the Hong Kong Institute of Certified Public Accountants. 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 Midland Group, she worked for PricewaterhouseCoopers, an international accounting firm, for several years. She is the vice chairman of Youth Professionals Committee, Standing Committee member of The Association of Hong Kong Professionals and member of The Y. Elites Group. She is also a member of the Practice and Examination Committee of the Estate Agents Authority.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the chairman, managing director and executive director of Midland Holdings and Ms. TANG Mei Lai, Metty, the executive director of Midland Holdings and the Chairman, Managing Director and Executive Director of the Company.

Mr. WONG Hon Shing, Daniel, aged 48, has been appointed as the Executive Director and Chief Executive Officer of the Company since December 2011. From May 2009 to December 2011, he acted as the Chief Operating Officer of the Group. Mr. WONG was also the Sales Director of the Commercial Department of the Group. He joined Midland Group in 1994 and joined the Group in 2006. He has over 22 years of experience in non-residential property agency business in Hong Kong.

NON-EXECUTIVE DIRECTOR

Mr. TSANG Link Carl, Brian, aged 48, has been the Non-executive Director of the Company since March 2005.

Mr. TSANG is a practising solicitor in Hong Kong and a partner of Iu, Lai & Li, the legal adviser of the Company and Midland Holdings. He graduated from King's College, London with a LLB Degree. He is also admitted to practise law in England and Wales, Singapore, New South Wales, Queensland and the Australian Capital Territory.

Mr. TSANG was the independent non-executive director of CITIC Resources Holdings Limited from August 2000 to April 2011, Walker Group Holdings Limited from May 2007 to February 2011 and Pacific Century Premium Developments Limited from October 2002 to June 2009, all listed on the Main Board of the Stock Exchange.

Mr. TSANG was also an adjudicator of the Registration of Persons Tribunal from June 2005 to June 2009, a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants from February 2006 to February 2010 and a member of the Appeal Panel (Housing) from July 2006 to April 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YING Wing Cheung, William, aged 61, has been the Independent Non-executive Director of the Company since May 2005. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. YING has over 37 years experience in electronic products manufacturing business and is well versed in marketing and corporate strategic planning. He is currently the managing director of Way Mild Company Limited and a director of Yangzhou Jiang Jia Electronics Co. Ltd.

Mr. YING is a member of the Tenth Guangdong Provincial Committee of Chinese People's Political Consultative Conference. He also serves in various social organisations, he is currently the president of Sze Yap Clansmen Association (New Territories, Hong Kong) Limited and a member of Jiangsu Province Chinese Overseas Friendship Association. Mr. YING was a member of the Eighth and Ninth Guangdong Provincial Committee of Chinese People's Political Consultative Conference from 1998 to 2008 and a member of the Eighth and Ninth Jiangmen Committee of Chinese People's Political Consultative Conference from 1993 to 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. SHA Pau, Eric, aged 54, has been the Independent Non-executive Director of the Company since March 2006. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

Mr. SHA is the founder and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. He has over 26 years of solid experience in international marketing field and specialises in corporate strategy formulation, overall management and marketing. Mr. SHA holds a bachelor's degree in arts from the University of Windsor, Ontario, Canada.

Mr. HO Kwan Tat, Ted, aged 47, has been the Independent Non-executive Director of the Company since December 2007. He is also the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. HO is a practicing Certified Public Accountant in Hong Kong and is a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has extensive experience in audit and taxation.

Mr. HO has been the independent non-executive director of SunCorp Technologies Limited since March 2008, a company listed on the Main Board of the Stock Exchange.

Mr. HO was the independent non-executive director of two companies listed on the Main Board of the Stock Exchange, namely, CIAM Group Limited from September 2004 to July 2008 and The Sun's Group Limited (now known as "Loudong General Nice Resources (China) Holdings Limited") from May 2007 to April 2008.

ALTERNATE DIRECTOR

Mr. CHU Kuo Fai, Gordon, aged 45, has been the alternate director to Mr. TSANG Link Carl, Brian since February 2012. Mr. CHU is currently a practising solicitor in Hong Kong and is a partner of Iu, Lai & Li, a Hong Kong law firm and legal adviser to the Company and Midland Holdings. Mr. CHU graduated from King's College, London with a LLB Degree in 1986. He is also admitted to practise law in England and Wales, Australian Capital Territory, New York, Queensland and New South Wales.

SENIOR MANAGEMENT

Mr. LO Chin Ho, Tony, aged 49, is the Chief Operation Officer of Industrial, Commercial and Shops Division of the Group and is also Sales Director of Shops Department under the Division. He has over 19 years of experience in non-residential property agency business, specialising in shops property, in Hong Kong.

Mr. CHAN Wai Chi, Alvan, aged 47, is the Sales Director of Industrial and Commercial Department under the Industrial, Commercial and Shops Division of the Group. He has over 26 years of experience in non-residential property agency business, specialising in industrial property, in Hong Kong.

Mr. ONG Hung Cheung, Eric, aged 45, is the Sales Director of Commercial Department under the Industrial, Commercial and Shops Division of the Group. He has over 22 years of experience in non-residential property agency business, specialising in commercial property, in Hong Kong.

The board of directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company") recognises that 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 all applicable rules and regulations.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

(i) Board Responsibilities and Delegation

The Board has the responsibility for management of the Company, which includes, inter alia, formulating business strategies, directing and supervising the Company's affairs, approving interim and annual reports, announcements of interim and final results, considering dividend policy, and approving the grant of share options or any change in the capital structure of the Company.

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

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

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

(ii) Board Composition

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

Executive Directors
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Deputy Chairman)*
Ms. WONG Ching Yi, Angela *(appointed on 15 December 2011)*
Mr. WONG Hon Shing, Daniel *(Chief Executive Officer) (appointed on 15 December 2011)*

Non-executive Director
Mr. TSANG Link Carl, Brian *(with Mr. CHU Kuo Fai, Gordon appointed on 29 February 2012 as his alternate)*

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

Save and except Ms. TANG Mei Lai, Metty is the mother 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 Senior Management" on pages 6 to 8 of this Annual Report.

Taking into account the knowledge, expertise and experience of the Directors, the Board considers that the Directors have balanced skills and experience contributing to the business and development of the Group.

BOARD OF DIRECTORS (Continued)

(iii) Chairman and Chief Executive Officer

The roles of chairman and chief executive officer of the Company are segregated. Ms. TANG Mei Lai, Metty is the Chairman of the Company. Since 15 December 2011, Mr. WONG Hon Shing, Daniel has been appointed as the Chief Executive Officer of the Company in place of Mr. WONG Tsz Wa, Pierre who remains as Deputy Chairman of the Company. The Chairman of the Company is responsible for formulating the overall corporate directions, strategic planning, business development and leading the management team of the Group. The Chief Executive Officer of the Company is responsible for the corporate and business strategies and development, and the implementation of strategies and policies to achieving the overall commercial objectives.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2011, the Board held five meetings to discuss and approve the interim and final results and other significant issues of the Group. At least 14-day notice of all regular Board meetings was given to Directors who were given the opportunity to include matters in the meeting agenda. Individual attendance records of each of the Directors at the respective Board and committee meetings are set out on page 12 of this Annual Report.

(v) Non-executive Directors and Independent Non-executive Directors

The term of office of Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate), the Non-Executive Director, has been fixed for a specific term of one year. Mr. HO Kwan Tat, Ted and Mr. SHA Pau, Eric, both Independent Non-executive Director, have been appointed for a specific term of one and a half years whereas Mr. YING Wing Cheung, William, the Independent Non-executive Director, has been appointed for a specific term of two years. They are all subject to retirement by rotation and shall be eligible for re-election at the Company's annual general meeting at least once every three years in accordance with the articles of association of the Company.

Throughout the year ended 31 December 2011 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The Board has received from each of the Independent Non-executive Directors an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be independent.

(vi) Nomination, Appointment and Re-election of Directors

All new appointment of Directors and nomination of Directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee. The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Details of the role and function as well as a summary of the work performed by the Nomination Committee are set out under the heading of "Nomination Committee" below.

In accordance with the Company's articles of association, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) of the Directors shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting. Each Director is subject to retirement by rotation at least once every three years. All Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

BOARD COMMITTEES

The Board has established four Board committees, including the Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee for overseeing the respective aspects of the Company's affairs.

Executive Committee

The Executive Committee operates as a general management committee with delegated authority from the Board. It has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group. The Board reserves the power to make broad policy decisions and approve important corporate actions. The Executive Committee comprises four members including Ms. TANG Mei Lai, Metty, Mr. WONG Tsz Wa, Pierre, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel, all the Executive Directors of the Company.

Audit Committee

The Audit Committee comprises three members and is chaired by Mr. HO Kwan Tat, Ted, with other two members including Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all of whom are Independent Non-executive Directors. Mr. HO Kwan Tat, Ted is a practising certified public accountant with extensive experience and expertise in professional accounting, auditing and taxation.

The Audit Committee is responsible for, inter alia, reviewing the Group's financial statements including the interim and annual results and reports and the Group's financial position, reviewing and monitoring the Group's financial control and internal control systems, and reviewing the Group's financial and accounting policies and practices. The Audit Committee makes recommendation to the Board on the selection and remuneration of external auditor, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The written terms of reference of the Audit Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

During the year of 2011, two Audit Committee meetings were held to review and approve relevant issues mentioned above. Other members of the management and the external auditor of the Company were invited to attend and discuss at the Audit Committee meetings.

Remuneration Committee

For the year ended 31 December 2011, the Remuneration Committee was chaired by Ms. TANG Mei Lai, Metty, with other four members namely Mr. WONG Tsz Wa, Pierre, Mr. HO Kwan Tat, Ted, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, majority of whom are Independent Non-executive Directors. With effect from 15 March 2012, Mr. HO Kwan Tat, Ted, the Independent Non-executive Director, has been appointed as the chairman of the Remuneration Committee in place of Ms. TANG Mei Lai, Metty who remains as the member of the Remuneration Committee.

The Remuneration Committee is responsible for reviewing and determining the remuneration packages of the Executive Directors and senior management of the Company. The written terms of reference of the Remuneration Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year ended 31 December 2011 includes reviewing the remuneration policy of the Group and determining the remuneration packages of the Directors and senior management and recommend to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package. During the year of 2011, four Remuneration Committee meetings were held.

Details of Directors' emoluments of the Company are set out in note 9 to the consolidated financial statements on pages 51 to 52 of this Annual Report.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee is chaired by Ms. TANG Mei Lai, Metty, with the other four members namely Mr. WONG Tsz Wa, Pierre, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted, majority of whom are Independent Non-executive Directors.

The Nomination Committee is responsible for formulating the nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, and assessing the independence of Independent Non-executive Directors. The written terms of reference of the Nomination Committee setting out its roles and responsibilities are available on the websites of the Company and the Stock Exchange.

The work of the Nomination Committee during the year of 2011 includes reviewing the Board composition, the independence of the Independent Non-executive Directors and the retirement and rotation plan of the Directors. During the year of 2011, two Nomination Committee meetings were held.

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 2011 are set out below:

	No. of Meetings Attended/Held			
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*	5/5	N/A	4/4	2/2
Mr. WONG Tsz Wa, Pierre *(Deputy Chairman)*	5/5	N/A	4/4	2/2
Ms. WONG Ching Yi, Angela *(Appointed on 15 December 2011)*	0/0	N/A	N/A	N/A
Mr. WONG Hon Shing, Daniel *(Chief Executive Officer)* *(Appointed on 15 December 2011)*	0/0	N/A	N/A	N/A
Non-executive Director				
Mr. TSANG Link Carl, Brian	4/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. YING Wing Cheung, William	5/5	2/2	4/4	2/2
Mr. SHA Pau, Eric	5/5	2/2	4/4	2/2
Mr. HO Kwan Tat, Ted	5/5	2/2	4/4	2/2

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31 December 2011.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares of the Company and the associated corporation are set out in the Report of the Directors on pages 16 to 17 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs and of the results and cash flows for the year ended 31 December 2011. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The responsibilities of the external auditor about their financial reporting are set out in the Independent Auditor's Report on pages 25 to 26 of this Annual Report.

AUDITOR'S REMUNERATION

The remuneration payable or paid to the independent external auditor of the Company, PricewaterhouseCoopers, in respect of the audit and non-audit services provided to the Company and its major subsidiaries for the year ended 31 December 2011 amounted to approximately HK$797,000 (2010: HK$757,000) and HK$390,000 (2010: HK$386,080) respectively. The non-audit services mainly include interim results review, taxation and other professional services.

INTERNAL CONTROLS

The Board has overall responsibilities for maintaining effective internal control systems of the Group. The internal audit department of the Company reports directly to the Audit Committee and is independent of the Company's daily operations. They are responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year ended 31 December 2011, the Board, with the assistance of the internal audit department and the Audit Committee, has conducted an annual review on the effectiveness of the Group's systems of internal control.

SHAREHOLDERS' RIGHT AND INVESTOR RELATIONS

Pursuant to the Listing Rules, voting by poll has become mandatory on all resolutions put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and of the Company. Notice to shareholders will be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in the shareholders' meetings of the Company. The Company acknowledges that general meetings are good communication channel with the shareholders. At the general meeting, each substantial issue will be considered by a separate resolution, including the election of individual Directors, and the poll procedures will be clearly explained. Chairman of the Board and the Chairmen of the relevant Board Committees are available to attend the annual general meeting to inter-face with, and answer questions from the shareholders.

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

The board of directors (the "Board" or the "Directors") of Midland IC&I Limited (the "Company") are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activities of the Company is investment holding. The activities of its principal subsidiaries are set out in note 35 to the financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2011 by operating segment are set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 27 of this Annual Report. The Board does not recommend the payment of any dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2011 are set out in note 26 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounted to HK$459,115 (2010: HK$384,275).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2011 are set out in note 16 to the financial statements.

INVESTMENT PROPERTIES

Details of investment properties are set out in note 17 to the financial statements.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the Companies Law of the Cayman Islands.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and accumulated losses which in aggregate amounted to HK$24,303,000. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's articles of association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2011.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2011 and up to the date of this Annual Report are:

Executive Directors
Ms. TANG Mei Lai, Metty *(Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Deputy Chairman)*
Ms. WONG Ching Yi, Angela *(appointed on 15 December 2011)*
Mr. WONG Hon Shing, Daniel *(Chief Executive Officer) (appointed on 15 December 2011)*

Non-executive Director
Mr. TSANG Link Carl, Brian *(with Mr. CHU Kuo Fai, Gordon appointed on 29 February 2012 as his alternate)*

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

According to Article 86(3) of the Company's articles of association, Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel shall retire at the forthcoming annual general meeting ("AGM") and, will being eligible, offer themselves for re-election.

According to Article 87 of the Company's articles of association, Ms. TANG Mei Lai, Metty and Mr. SHA Pau, Eric will retire by rotation at the AGM and, will being eligible, offer themselves for re–election.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests and short positions of each of the Directors and the chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Model Code") were as follows:

(i) Personal interests in long positions in the shares and underlying shares of the Company

Name of Director	Number of shares of the Company	Number of underlying shares	Total	Approximate percentage of issued share capital of the Company
Mr. WONG Tsz Wa, Pierre	2,000,000	–	2,000,000	0.02%
Mr. WONG Hon Shing, Daniel	12,000,000	–	12,000,000	0.14%
Mr. TSANG Link Carl, Brian	–	5,000,000 *(note 1)*	5,000,000	0.06%
Mr. YING Wing Cheung, William	–	5,000,000 *(note 2)*	5,000,000	0.06%
Mr. SHA Pau, Eric	–	5,000,000 *(note 3)*	5,000,000	0.06%
Mr. HO Kwan Tat, Ted	–	5,000,000 *(note 4)*	5,000,000	0.06%

Notes:

1. These underlying shares are held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share option scheme of the Company (the "Share Option Scheme") granted to him.

2. These underlying shares are held by Mr. YING Wing Cheung, William by virtue of the interests in the Share Option Scheme granted to him.

3. These underlying shares are held by Mr. SHA Pau, Eric by virtue of the interests in the Share Option Scheme granted to him.

4. These underlying shares are held by Mr. HO Kwan Tat, Ted by virtue of the interests in the Share Option Scheme granted to him.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(ii) Long positions in the shares and underlying shares of associated corporation of the Company

Name of associated corporation	Name of Director	Number of ordinary shares	Number of underlying shares	Nature of interests	Approximate percentage of issued share capital of Midland Holdings
Midland Holdings Limited ("Midland Holdings")	Ms. TANG Mei Lai, Metty	36,568,144 *(note 5)*	7,209,160 *(note 6)*	Family interest	6.09%
		–	7,209,160 *(note 7)*	Personal interest	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	–	7,209,160 *(note 8)*	Personal interest	1.00%

Notes:

5. These shares represent the shares held by Mr. WONG Kin Yip, Freddie, directly or indirectly, the spouse of Ms. TANG Mei Lai, Metty ("Ms. TANG"), as beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.

6. These underlying shares represent the underlying shares held by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG by virtue of the interests in the share option scheme of Midland Holdings ("Midland Holdings Share Option Scheme") granted to him, as beneficial owner.

7. These underlying shares are held by Ms. TANG by virtue of the interests in Midland Holdings Share Option Scheme granted to her.

8. These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in Midland Holdings Share Option Scheme granted to her.

Saved as disclosed above, as at 31 December 2011, neither the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, the interests or short positions of the persons, other than a Director or the chief executive of the Company, in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name of substantial shareholders	Number of ordinary shares	Number of underlying shares	Holding capacity	Approximate percentage of issued share capital of the Company
Midland Holdings	4,300,000,000	5,400,000,000 *(note)*	Interest in controlled corporation	116.87%
Tretsfield Investments Limited ("Tretsfield")	–	5,400,000,000 *(note)*	Beneficial owner	65.06%

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

SHARE OPTION SCHEME

At the Company's extraordinary general meeting held on 19 September 2008, the Share Option Scheme was adopted by the Company and approved by its shareholders.

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

(a) *Purposes of the Share Option Scheme*

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

(b) *Participants of the Share Option Scheme*

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

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

Total number of shares available for issue is 810,000,000, representing approximately 9.76% of the issued share capital of the Company as at the date of this Annual Report.

SHARE OPTION SCHEME (Continued)

(d) *Maximum entitlement of each eligible person*

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

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

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

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

Any further grant of share options in excess of the above-mentioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, the shareholders of Midland Holdings 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*

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 Board 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 more than ten years from the date of grant.

(g) *Basis of determining the exercise price*

The exercise price of an option to subscribe for the shares granted under the Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an eligible person but shall not be less than the highest of:

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

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

(iii) the nominal value of a share of the Company.

SHARE OPTION SCHEME (Continued)

(h) Remaining life of the Share Option Scheme

The 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.

The particulars of movements of share options outstanding during the year under the Share Option Scheme are as follows:

				Number of share options					
Name of Directors	Date of grant	Exercise price per share (HK$)	Closing price per share immediately before the date of grant (HK$)	Balance outstanding as at 1 January 2011	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Balance outstanding as at 31 December 2011	Exercisable period
TSANG Link Carl, Brian	2 September 2011	0.053	0.052	–	5,000,000	–	–	5,000,000	1 October 2011 to 30 September 2016
YING Wing Cheung, William	2 September 2011	0.053	0.052	–	5,000,000	–	–	5,000,000	1 October 2011 to 30 September 2016
SHA Pau, Eric	2 September 2011	0.053	0.052	–	5,000,000	–	–	5,000,000	1 October 2011 to 30 September 2016
HO Kwan Tat, Ted	2 September 2011	0.053	0.052	–	5,000,000	–	–	5,000,000	1 October 2011 to 30 September 2016
Total				–	20,000,000	–	–	20,000,000	

Information on the accounting policy for share options granted and the value of options granted under the Share Option Scheme is provided in note 3(o)(iii) and note 25(b) to the financial statements.

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

CONVERTIBLE SECURITIES, OPTIONS AND WARRANTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total turnover of the Group for the year ended 31 December 2011.

The Group had no major suppliers due to the nature of the principal activities of the Group.

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 during the year. Further details are set out in note 34 to the financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing for which relevant announcements, of necessary, had been made by the Company in accordance with the Listing Rules.

Connected Transactions

As disclosed in the Company's announcement dated 21 January 2011, the Group entered into a total of 4 engagements by the associates of Ms. TANG Mei Lai, Metty ("Ms. TANG") for provision of estate agency services in relation to the purchase, disposal and leasing of properties occurring within the period from 1 September 2010 to 21 January 2011. The aggregate amount of agency fees paid in connection with the 4 engagements was HK$4,106,008.

Continuing Connected Transactions

1. A tenancy agreement was made on 30 April 2010 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company incorporated in the British Virgin Islands and wholly-owned by an associate of Ms. TANG, an Executive Director of the Company, as landlord whereby the landlord agreed to lease a premises located at Nos.11-16 on 7/F, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon, Hong Kong for a term of two years commencing from 1 May 2010 to 30 April 2012 at a monthly rental of HK$113,166 for the first year and HK$125,740 for the second year (details of which were disclosed in the announcement of the Company dated 30 April 2010).

2. A cross referral services agreement (the "Cross Referral Services Agreement") was made on 5 November 2009 between the Company and Midland Holdings in relation to cross referral services provided between the relevant members of Midland Holdings and its subsidiaries and of the Group for the estate agency business, whereby the relevant members of Midland Holdings and its subsidiaries may refer estate agency business in respect of industrial and commercial (office and shop) properties to the Group from time to time, and the Group may refer estate agency business in respect of residential properties to the relevant members of Midland Holdings and its subsidiaries from time to time (the "Transactions"). The Transactions were conducted on a case-by-case basis and were on normal commercial terms. The Transactions contemplated thereunder and the relevant annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 15 December 2009.

   Under the Cross Referral Services Agreement, the annual caps for the referral fees payable by the Group to Midland Holdings and its subsidiaries for the years ending 31 December 2010, 2011 and 2012 have been fixed at HK$50 million, HK$55 million and HK$60 million respectively, while the annual caps for the referral fees payable by Midland Holdings and its subsidiaries to the Group for the years ending 31 December 2010, 2011 and 2012 have been fixed at HK$35 million, HK$40 million and HK$45 million respectively. Details relating to the Cross Referral Services Agreement and the annual caps were set out in the announcement and circular of the Company dated 5 November 2009 and 26 November 2009 respectively.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (Continued)

Continuing Connected Transactions (Continued)

3. A tenancy agreement was made on 19 March 2009 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby the landlord agreed to lease a premises located at the whole of 21st Floor, Ford Glory Plaza, Kowloon, Hong Kong as a back office for Midland Holdings for a term of three years commencing from 19 March 2009 to 18 March 2012 at a monthly rental of HK$114,000 (details of which were disclosed in the announcement of the Company dated 19 March 2009).

Pursuant to Rule 14A.37 of the Listing Rules, the above continuing connected transactions ("Continuing Connected Transactions") have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the Continuing Connected Transactions were carried out:

(i) in the ordinary and usual course of 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 governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group on pages 21 to 22 of this Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CHANGES IN DIRECTORS' INFORMATION

Changes in the information of Directors of the Company since the disclosure made in the 2011 interim report of the Company, that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. Mr. WONG Tsz Wa, Pierre resigned as Chief Executive Officer and has been appointed as Deputy Chairman since December 2011.

2. Ms. WONG Ching Yi, Angela has been appointed as Executive Director of the Company since December 2011.

3. Mr. WONG Hon Shing, Daniel has been appointed as Chief Executive Officer and Executive Director of the Company since December 2011.

4. Mr. CHU Kuo Fai, Gordon has been appointed as an Alternate Director to Mr. TSANG Link Carl, Brian since February 2012.

RETIREMENT SCHEME

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

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2011 are set out in note 35 to the financial statements.

BANK LOAN

An analysis of bank loan as at 31 December 2011 is set out in note 29 to the financial statements. Apart from the above, the Group has no other borrowings as at 31 December 2011.

EMOLUMENT POLICY

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors of the Company had an interest in any business constituting a competing business to the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements of the Group for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM to re-appoint them and to authorise the Board to fix their remuneration.

On behalf of the Board
WONG Hon Shing, Daniel
Executive Director and Chief Executive Officer

Hong Kong, 15 March 2012

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 December 2011, the Group had cash and bank balances of HK$406,813,000 (2010: HK$316,002,000), whilst bank loan amounted to HK$11,800,000 (2010: HK$12,663,000). The Group's bank loan was secured by the investment properties held by the Group of HK$40,640,000 (2010: secured by investment property and certain land & buildings of HK$35,470,000) and with maturity profile set out as follows:

Repayable

	2011 HK$'000	2010 HK$'000
Within 1 year	871	853
After 1 year but within 2 years	889	870
After 2 years but within 5 years	2,775	2,716
Over 5 years	7,265	8,224
	11,800	12,663

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

As at 31 December 2011, the Group had unutilised banking facilities amounting to HK$15,500,000 (2010: HK$35,500,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars and the Group's bank loan is in Hong Kong Dollars. The bank loan and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2011, the gearing ratio of the Group was 3.1% (2010: 5.4%). The gearing ratio is calculated on the basis of the Group's total bank loans and liability portion of convertible notes over total equity of the Group. The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 4.5 (2010: 2.9).

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.

CAPITAL STRUCTURE AND FOREIGN EXCHANGE EXPOSURE

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

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

CONTINGENT LIABILITIES

As at 31 December 2011, the Company executed corporate guarantees amounting to HK$29,780,000 (2010: HK$49,780,000) as the securities for general banking facilities and bank loans extended to wholly-owned subsidiaries. As at 31 December 2011, HK$11,800,000 of the banking facilities were utilised by a subsidiary (2010: HK$12,663,000).

EMPLOYEE INFORMATION

As at 31 December 2011, the Group employed 551 full-time employees.

The Group provides remuneration package to employees largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profit 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.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 70, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 of the financial statements that give a true and fair view 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 2011, and of the Group's profit 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, 15 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenues	6(a)	457,104	534,650
Other income	7	6,537	4,375
Staff costs	8	(247,974)	(282,314)
Rebate incentives		(36,860)	(47,656)
Advertising and promotion expenses		(11,541)	(9,698)
Operating lease charges in respect of office and shop premises		(13,821)	(11,262)
Impairment of receivables		(18,442)	(12,356)
Depreciation and amortisation costs		(3,437)	(2,241)
Other operating costs		(25,795)	(29,599)
Operating profit	10	105,771	143,899
Finance income	11	2,918	623
Finance costs	11	(624)	(952)
Profit before taxation		108,065	143,570
Taxation	12	(17,576)	(23,135)
Profit for the year		90,489	120,435
Other comprehensive income			
Currency translation differences		(137)	(47)
Total comprehensive income for the year		90,352	120,388
Profit attributable to:			
Equity holders		90,489	120,435
Non-controlling interests		–	–
		90,489	120,435
Total comprehensive income attributable to:			
Equity holders		90,352	120,388
Non-controlling interests		–	–
		90,352	120,388
		HK cents	HK cents
Earnings per share	15		
Basic		0.663	0.883
Diluted		0.663	0.883

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	5,567	4,721
Investment properties	17	40,640	35,100
Deferred taxation assets	22	1,801	3,102
		48,008	42,923
Current assets			
Trade and other receivables	23	130,404	205,888
Financial assets at fair value through profit or loss	20	130	163
Tax recoverable		1,576	–
Cash and bank balances	24	406,813	316,002
		538,923	522,053
Total assets		586,931	564,976
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	83,000	83,000
Share premium		85,816	85,816
Reserves	26	294,965	204,051
		463,781	372,867
Non-controlling interests		–	–
Total equity		463,781	372,867

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Convertible notes	27	–	7,631
Deferred taxation liabilities	22	2,276	1,339
		2,276	8,970
Current liabilities			
Convertible notes	27	2,627	–
Trade and other payables	28	106,447	164,499
Bank loan	29	11,800	12,663
Taxation payable		–	5,977
		120,874	183,139
Total liabilities		123,150	192,109
Total equity and liabilities		586,931	564,976
Net current assets		418,049	338,914
Total assets less current liabilities		466,057	381,837

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

Balance Sheet

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	19	642,609	642,609
Current assets			
Amounts due from subsidiaries	21	25,075	22,191
Other receivables	23	636	–
Bank balances	24	67	67
		25,778	22,258
Total assets		668,387	664,867
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	83,000	83,000
Share premium		85,816	85,816
Reserves	26	456,401	455,517
Total equity		625,217	624,333
Non-current liabilities			
Convertible notes	27	–	7,631
Current liabilities			
Convertible notes	27	2,627	–
Amounts due to subsidiaries	21	39,384	31,643
Other payables and accruals	28	1,159	1,260
		43,170	32,903
Total liabilities		43,170	40,534
Total equity and liabilities		668,387	664,867
Net current liabilities		(17,392)	(10,645)
Total assets less current liabilities		625,217	631,964

TANG Mei Lai, Metty
Director

WONG Tsz Wa, Pierre
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	83,000	85,816	204,051	372,867	–	372,867
Comprehensive income						
Profit for the year	–	–	90,489	90,489	–	90,489
Other comprehensive income						
Currency translation differences	–	–	(137)	(137)	–	(137)
Total comprehensive income	–	–	90,352	90,352	–	90,352
Transaction with owners						
Employee share options scheme – value of employee services	–	–	562	562	–	562
At 31 December 2011	83,000	85,816	294,965	463,781	–	463,781
At 1 January 2010	83,000	85,816	83,663	252,479	–	252,479
Comprehensive income						
Profit for the year	–	–	120,435	120,435	–	120,435
Other comprehensive income						
Currency translation differences	–	–	(47)	(47)	–	(47)
Total comprehensive income	–	–	120,388	120,388	–	120,388
At 31 December 2010	83,000	85,816	204,051	372,867	–	372,867

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	121,045	120,748
Hong Kong profits tax paid		(22,891)	(27,066)
Interest paid		(228)	(237)
Net cash from operating activities		97,926	93,445
Cash flows from investing activities			
Net cash inflow from disposal of subsidiaries	30(b)	2,075	–
Purchase of property, plant and equipment		(5,845)	(2,290)
Purchase of financial assets at fair value through profit or loss		–	(4)
Bank interest received		2,918	623
Net cash used in investing activities		(852)	(1,671)
Cash flows from financing activities			
Interest paid on convertible notes		(5,400)	(5,400)
Repayment of bank loan		(863)	(850)
Net cash used in financing activities		(6,263)	(6,250)
Net increase in cash and cash equivalents		90,811	85,524
Cash and cash equivalents at 1 January		316,002	230,478
Cash and cash equivalents at 31 December	24	406,813	316,002

1 GENERAL INFORMATION

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

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

The ultimate holding company is Midland Holdings Limited ("Midland Holdings"), a company incorporated in Bermuda and listed in Hong Kong.

The financial statements have been approved by the board of directors (the "Board" and "Directors") on 15 March 2012.

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. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property 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 financial statements, are disclosed in note 5 below.

(b) Standards, interpretations and amendments effective in 2011

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of right issues
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendment)	Improvements to HKFRSs 2010

The adoption of the above revised standard and amendments and interpretations to standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies.

(c) Standards, interpretations and amendments which are not yet effective

The following new standards and amendments to standards have been issued but are not effective for 2011 and have not been early adopted by the Group.

Effective for the year ending 31 December 2012

HKFRS 7 (Amendment)	Disclosures – transfers of financial assets
HKAS 12 (Amendment)	Deferred tax : recovery of underlying assets

2 BASIS OF PREPARATION (Continued)

(c) Standards, interpretations and amendments which are not yet effective (Continued)

Effective for the year ending 31 December 2013

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 19 (Amendment)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKFRS 9	Financial Instruments
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements

The Group is assessing the impact of these new or revised standards and amendments to standards. The adoption of these new or revised standards and amendments to standards will not result in a significant impact on the results and financial position of the Group except for the adoption of HKAS 12 (Amendment) when the Group is expected to derecognise the deferred tax liabilities arising from investment property measured at fair value and there will be certain changes in presentation and disclosures in the financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Subsidiaries

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

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

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised loss 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

(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 the Group's 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 statement of comprehensive income.

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 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 closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income 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 statement of comprehensive income 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 is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the lease term
Buildings	50 years
Leasehold improvements	Over the lease term
Furniture and fixtures	4 years
Office equipment	4 years

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

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating cost, in the statement of comprehensive income.

(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 statement of comprehensive income 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 statement of comprehensive income 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 as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

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 statement of comprehensive income.

(f) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liablities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of investments in subsidiaries and 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(h) Financial assets

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

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

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

(ii) Loans and receivables

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

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 statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gain or loss arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income 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 statement of comprehensive income as part of other income when the Group's right to receive payments is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

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

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

(i) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

(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 (net of income taxes) is deducted from equity.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

(n) Taxation

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

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

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

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

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits (Continued)

(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 statement of comprehensive income when the contributions are payable to the fund.

(iii) Share-based compensation

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Convertible notes (Continued)

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

(r) 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 discounts and other revenue reducing factors.

Agency fee from property agency business is recognised when services are rendered which is generally the time when a formal agreement among the transacted parties (including the Group) is established.

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.

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

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

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

(s) Operating leases

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

(t) Dividend distribution

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

(u) Contingent liabilities

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

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Credit risk

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

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

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

(ii) Cash flow and fair value interest rate risk

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

At the balance sheet date, if interest rates had been increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK$187,000 (2010: HK$37,000) for the year ended 31 December 2011.

(iii) Liquidity risk

The Group aims to finance its operations with its own capital and earnings and did not have any borrowings or credit facilities utilised during the year. The Group maintains its own treasury function (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows; the maturity analysis of bank loan with a repayment on demand clause is based on the agreed scheduled repayments set out in the loan agreements. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000
At 31 December 2011			
Convertible notes	–	2,700	–
Trade and other payables	–	106,447	–
Bank loan	13,279	–	–
	13,279	109,147	–
At 31 December 2010			
Convertible notes	–	5,400	2,700
Trade and other payables	–	164,499	–
Bank loan	14,364	–	–
	14,364	169,899	2,700

(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 raise funding through bank borrowing as necessary.

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

The total debt to equity ratios at 31 December 2011 and 2010 were as follows:

	2011 HK$'000	2010 HK$'000
Bank loan	11,800	12,663
Total equity	463,781	372,867
Total debt to equity ratio	2.5%	3.4%

4 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

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

The fair value of investment properties is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

The financial instruments comprise primarily equity securities listed in Hong Kong. As at 31 December 2011, equity securities amounted to HK$130,000 (2010: HK$163,000) are measured at fair value based on quoted market prices at the balance sheet date which is categorised as level 1 under the fair value hierarchy pursuant to HKFRS 7. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Revenue recognition

Management reviews sales transactions to determine whether it is probable that future economic benefits arising from the sales transactions would flow to the Group, taking into account the market condition, customers' profiles, completion terms and other relevant factors. Revenues from those transactions would not be recognised in the statement of comprehensive income until relevant transactions whose economic benefits are not probable to flow into the Group are completed or until the uncertainty is removed.

(ii) Impairment of trade receivables

Management reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. 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 impairment on the transactions.

Management reassesses the provision at each balance sheet date.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iii) 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. 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 affect those prices.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2011 HK$'000	2010 HK$'000
Turnover		
Agency fee	435,366	506,600
Internet education and related services	20,338	26,682
	455,704	533,282
Other revenue		
Rental income from a fellow subsidiary	1,368	1,368
Rental income from third party	32	–
Total revenues	457,104	534,650

(b) Segment information

The chief operating decision makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

Management assesses the performance based on the nature of the Group's business principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, and other business mainly includes the provision of internet education and related services.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2011 Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	225,721	80,139	139,758	20,520	466,138
Inter-segment revenues	(6,360)	(1,537)	(2,355)	(182)	(10,434)
Revenues from external customers	219,361	78,602	137,403	20,338	455,704
Segment results	66,169	15,574	35,564	(126)	117,181
Impairment of receivables	6,745	6,531	5,166	–	18,442
Depreciation and amortisation costs	759	1,004	416	573	2,752
Additions to non-current assets	361	2,364	1,099	1,746	5,570

	Year ended 31 December 2010 Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Total revenues	228,677	83,382	217,619	26,792	556,470
Inter-segment revenues	(11,127)	(4,669)	(7,282)	(110)	(23,188)
Revenues from external customers	217,550	78,713	210,337	26,682	533,282
Segment results	69,860	23,712	63,167	150	156,889
Impairment of receivables	3,572	1,326	7,361	97	12,356
Depreciation and amortisation costs	663	439	228	260	1,590
Additions to non-current assets	1,238	620	122	285	2,265

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, unrealised loss on financial assets at fair value through profit or loss, fair value gain on investment properties, finance income, finance costs and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated statement of comprehensive income.

Reportable revenues from external customers are reconciled to total revenues as follows:

	2011 HK$'000	2010 HK$'000
Revenues from external customers for reportable segments	455,704	533,282
Rental income from a fellow subsidiary	1,368	1,368
Rental income from third party	32	–
Total revenues per consolidated statement of comprehensive income	457,104	534,650

A reconciliation of segment results to profit before taxation is provided as follows:

	2011 HK$'000	2010 HK$'000
Segment results for reportable segments	117,181	156,889
Corporate expenses	(16,585)	(16,990)
Fair value gain on investment properties	5,175	4,000
Finance income	2,918	623
Finance costs	(624)	(952)
Profit before taxation per consolidated statement of comprehensive income	108,065	143,570

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through profit or loss, which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

As at 31 December 2011	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	67,637	76,608	43,302	15,629	203,176
Segment liabilities	51,420	21,904	17,087	5,486	95,897

As at 31 December 2010	Property agency				
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	101,859	77,483	80,874	15,553	275,769
Segment liabilities	67,917	21,494	55,921	5,306	150,638

Reportable segment assets are reconciled to total assets as follows:

	2011 HK$'000	2010 HK$'000
Segment assets	203,176	275,769
Corporate assets	380,248	285,942
Deferred taxation assets	1,801	3,102
Financial assets at fair value through profit or loss	130	163
Tax recoverable	1,576	–
Total assets per consolidated balance sheet	586,931	564,976

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011 HK$'000	2010 HK$'000
Segment liabilities	95,897	150,638
Corporate liabilities	24,977	40,132
Deferred taxation liabilities	2,276	1,339
Total liabilities per consolidated balance sheet	123,150	192,109

7 OTHER INCOME

	2011 HK$'000	2010 HK$'000
Fair value gain on investment properties (note 17)	5,175	4,000
Gain on disposal of subsidiaries	785	–
Others	577	375
	6,537	4,375

8 STAFF COSTS

	2011 HK$'000	2010 HK$'000
Salaries and allowances	83,170	72,693
Commissions	159,685	205,481
Pension costs for defined contribution plans	4,557	4,140
Share-based benefits (note 25 (b))	562	–
	247,974	282,314

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

The cost of the MPF scheme charged to the statement of comprehensive income represents contributions paid and payable by the Group to the fund.

9 DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of each director for the year ended 31 December 2011 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Share-based benefits HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors							
Ms TANG Mei Lai, Metty	–	2,868	–	484	–	12	3,364
Mr WONG Tsz Wa, Pierre	–	1,624	6,544	–	–	12	8,180
Ms WONG Ching Yi, Angela (appointed on 15 December 2011)	–	1	–	–	–	–	1
Mr WONG Hon Shing, Daniel (appointed on 15 December 2011)	–	59	9	–	–	1	69
	–	4,552	6,553	484	–	25	11,614
Non-executive Director							
Mr TSANG Link Carl, Brian	120	–	–	–	140.5	–	260.5
Independent Non-executive Directors							
Mr SHA Pau, Eric	120	–	–	–	140.5	–	260.5
Mr YING Wing Cheung, William	120	–	–	–	140.5	–	260.5
Mr HO Kwan Tat, Ted	120	–	–	–	140.5	–	260.5
	360	–	–	–	421.5	–	781.5
	480	4,552	6,553	484	562	25	12,656

The remuneration of each director for the year ended 31 December 2010 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentives HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors						
Ms TANG Mei Lai, Metty	–	2,747	–	1,148	12	3,907
Mr WONG Tsz Wa, Pierre	–	1,514	8,486	–	12	10,012
	–	4,261	8,486	1,148	24	13,919
Non-executive Director						
Mr TSANG Link Carl, Brian	70	–	–	–	–	70
Independent Non-executive Directors						
Mr SHA Pau, Eric	80	–	–	–	–	80
Mr YING Wing Cheung, William	80	–	–	–	–	80
Mr HO Kwan Tat, Ted	80	–	–	–	–	80
	240	–	–	–	–	240
	310	4,261	8,486	1,148	24	14,229

No director waived or agreed to waive any emoluments during the year (2010: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2010: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries and allowances	2,010	1,557
Discretionary bonuses	3,084	475
Retirement benefit costs	36	36
	5,130	2,068

The emoluments fell within the following bands:

	Number of individuals 2011	Number of individuals 2010
Below HK$1,000,000	–	3
HK$1,000,001 – HK$1,500,000	2	–
HK$2,500,001 – HK$3,000,000	1	–

10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2011 HK$'000	2010 HK$'000
Loss on disposal of property, plant and equipment	331	–
Auditor's remuneration	797	757
Unrealised loss on financial assets at fair value through profit or loss	33	15

11 FINANCE INCOME AND COSTS

	2011 HK$'000	2010 HK$'000
Finance income		
Bank interest income	2,918	623
Finance costs		
Finance cost of convertible notes wholly repayable within five years	(396)	(715)
Interest on borrowings not wholly repayable within five years (note)	(228)	(237)
	(624)	(952)
Finance income/(costs), net	2,294	(329)

Note: The classification by repayment period is based on the scheduled repayment dates set out in the loan agreements and ignores the effect of any repayment on demand clause.

12 TAXATION

	2011 HK$'000	2010 HK$'000
Current		
Hong Kong profits tax	15,338	22,762
Deferred (note 22)	2,238	373
	17,576	23,135

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year.

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	108,065	143,570
Calculated at a taxation rate of 16.5% (2010: 16.5%)	17,831	23,689
Income not subject to taxation	(480)	(103)
Expenses not deductible for taxation purposes	93	332
Utilisation of previously unrecognised tax losses	(404)	(995)
Tax losses not recognised	429	148
Others	107	64
Taxation charge	17,576	23,135

13 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$322,000 (2010: HK$293,000).

14 DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2011 (2010: Nil).

15 EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Profit attributable to equity holders	90,489	120,435
Effect on interest expense on convertible notes, net of tax	331	596
Profit for calculation of basic and diluted earnings per share	90,820	121,031
Number of shares in issue (thousands)	8,300,000	8,300,000
Effect on conversion of convertible notes (thousands)	5,400,000	5,400,000
Number of shares for calculation of basic earnings per share (thousands)	13,700,000	13,700,000
Effect on conversion of share option (thousands)	–	–
Number of shares for calculation of diluted earnings per share (thousands)	13,700,000	13,700,000
Basic earnings per share (HK cents)	0.663	0.883
Diluted earnings per share (HK cents)	0.663	0.883

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

In calculating the diluted earnings per share, the weighted average number of shares is 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 earnings per share for the year ended 31 December 2011 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
Year ended 31 December 2011					
Opening net book amount	370	2,104	225	2,022	4,721
Additions	–	1,921	199	3,725	5,845
Transfer to investment properties (note 17)	(365)	–	–	–	(365)
Disposals	–	(120)	(53)	(158)	(331)
Disposal of subsidiaries	–	–	–	(866)	(866)
Depreciation and amortisation costs	(5)	(1,991)	(97)	(1,344)	(3,437)
Closing net book amount	–	1,914	274	3,379	5,567
At 31 December 2011					
Cost	–	7,458	1,311	12,886	21,655
Accumulated depreciation and amortisation	–	(5,544)	(1,037)	(9,507)	(16,088)
Net book amount	–	1,914	274	3,379	5,567
At 1 January 2010					
Cost	390	6,908	1,107	9,514	17,919
Accumulated depreciation	(10)	(4,816)	(875)	(7,543)	(13,244)
Net book amount	380	2,092	232	1,971	4,675
Year ended 31 December 2010					
Opening net book amount	380	2,092	232	1,971	4,675
Additions	–	1,295	76	919	2,290
Depreciation and amortisation costs	(10)	(1,283)	(83)	(865)	(2,241)
Exchange difference	–	–	–	(3)	(3)
Closing net book amount	370	2,104	225	2,022	4,721
At 31 December 2010					
Cost	390	5,750	1,184	10,430	17,754
Accumulated depreciation and amortisation	(20)	(3,646)	(959)	(8,408)	(13,033)
Net book amount	370	2,104	225	2,022	4,721

As at 31 December 2010, land and buildings with carrying amount of HK$370,000 are pledged as security for the Group's bank loan (note 29). The carrying amount of land is analysed as follows:

	2011 HK$'000	2010 HK$'000
In Hong Kong		
Leases of between 10 to 50 years	–	69

17 INVESTMENT PROPERTIES

	Group 2011 HK$'000	2010 HK$'000
Opening net book amount	35,100	31,100
Transfer from land and buildings (note 16)	365	–
Change in fair value to the statement of comprehensive income (note 7)	5,175	4,000
Closing net book amount	40,640	35,100

The investment properties were revalued at 31 December 2011 by Midland Surveyors Limited, based on current prices in an active market for all properties.

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

	Group 2011 HK$'000	2010 HK$'000
In Hong Kong		
Leases of between 10 to 50 years	40,640	35,100

Investment properties are pledged as security for the Group's bank loan (note 29).

18 INTANGIBLE ASSETS

Group

	Goodwill HK$'000	Website development cost HK$'000	Licensing rights HK$'000	Total HK$'000
At 1 January 2010, 31 December 2010 and 2011				
Cost	4,325	6,534	6,318	17,177
Accumulated amortisation and impairment	(4,325)	(6,534)	(6,318)	(17,177)
Net book amount	–	–	–	–

19 SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	642,609	642,609

Details of principal subsidiaries are set out in note 35 to the financial statements.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2011 HK$'000	Group 2010 HK$'000
Equity securities listed in Hong Kong, at market value	130	163

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

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

As at 31 December 2011, amounts receivable of HK$46,974,000 (2010: HK$46,974,000) are impaired and fully provided. All other subsidiaries have no default history.

22 DEFERRED TAXATION

	Group 2011 HK$'000	Group 2010 HK$'000
Deferred taxation assets	1,801	3,102
Deferred taxation liabilities	(2,276)	(1,339)
	(475)	1,763

The net movements on the deferred taxation are as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
At 1 January	1,763	2,136
Recognised in the statement of comprehensive income (note 12)	(2,238)	(373)
At 31 December	(475)	1,763

22 DEFERRED TAXATION (Continued)

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

	Accelerated accounting depreciation		Provision		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At 1 January	124	80	2,978	2,587	3,102	2,667
Recognised in the statement of comprehensive income	(51)	44	(1,250)	391	(1,301)	435
At 31 December	73	124	1,728	2,978	1,801	3,102

Deferred taxation liabilities

Group

	Accelerated tax depreciation		Fair value		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At 1 January	(256)	–	(1,083)	(531)	(1,339)	(531)
Recognised in the statement of comprehensive income	(83)	(256)	(854)	(552)	(937)	(808)
At 31 December	(339)	(256)	(1,937)	(1,083)	(2,276)	(1,339)

Deferred taxation assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred taxation assets of HK$2,165,000 (2010: HK$3,158,000) in respect of losses amounting to HK$11,087,000 (2010: HK$14,631,000) as at 31 December 2011. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK$3,952,000 (2010: HK$8,756,000) will expire from 2012 to 2016 (2010: from 2011 to 2015).

22 DEFERRED TAXATION (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000
Deferred taxation assets		
– Recoverable more than twelve months	1,801	3,102
Deferred taxation liabilities		
– Payable or settle after more than twelve months	(2,276)	(1,339)

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade receivables	135,829	206,949	–	–
Less: Impairment	(15,312)	(7,458)	–	–
Trade receivables, net	120,517	199,491	–	–
Other receivables, prepayments and deposits	9,887	6,397	636	–
	130,404	205,888	636	–

The trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Not yet due	102,793	184,953
Less than 30 days	7,195	5,090
31 to 60 days	5,624	3,318
61 to 90 days	2,646	2,127
91 to 180 days	1,487	4,003
Over 180 days	772	–
	120,517	199,491

Trade receivables of HK$17,724,000 (2010: HK$14,538,000) are past due but not impaired. Such receivables are past due less than six months or received subsequent to the year end.

23 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK$15,312,000 (2010: HK$7,458,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Less than 6 months	163	253
6 to 12 months	10,186	3,073
Over 12 months	4,963	4,132
	15,312	7,458

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

	Group	
	2011 HK$'000	2010 HK$'000
At 1 January	7,458	17,620
Provision for impairment	19,726	16,989
Write-off of uncollectible debts	(10,588)	(22,518)
Unused amounts reversed	(1,284)	(4,633)
At 31 December	15,312	7,458

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

24 CASH AND BANK BALANCES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash at bank and in hand	221,991	170,666	67	67
Short term bank deposits	184,822	145,336	–	–
Cash and cash equivalents	406,813	316,002	67	67

25 SHARE CAPITAL

(a) Share capital

	Number of Shares HK$0.01 each	Nominal value HK$'000
Authorised:		
At 31 December 2011 and 2010	50,000,000,000	500,000
Issued and fully paid:		
At 31 December 2011 and 2010	8,300,000,000	83,000

(b) Share options

On 19 September 2008, the Company adopted a share option scheme (the "Scheme") pursuant to an extraordinary general meeting. Under the Scheme, the Company may grant options to any employees, senior executives or officers, managers, directors (including executive, non-executive and independent non-executive directors) or consultants of the Company and its subsidiaries, or any other eligible persons, who, as determined by the directors of the Company defined in note 1 (the "Directors"), have contributed or will contribute to the growth and development of the Group to subscribe for shares of the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company at the adoption time, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Directors, and will not be less than the highest of: (i) the nominal value of the shares of the Company; (ii) the average of the closing price of the shares of the Company quoted on the Main Board of the Stock Exchange's daily quotation sheet on the five trading days immediately preceding the date of offer of the options; and (iii) the closing price of the shares quoted on the Main Board of the Stock Exchange's daily quotation sheet on the date of offer of the options, which must be a business day as defined in the Rules Governing the Listing of Securities on the Stock Exchange. The Scheme will remain in force for a period of ten years commencing from 19 September 2008.

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

	2011		2010	
	Average exercise price per option HK$	Number of options	Average exercise price per option HK$	Number of options
At the beginning of the year	–	–	–	–
Granted	0.053	20,000,000	–	–
Lapsed	–	–	–	–
At the end of the year	0.053	20,000,000	–	–

25 SHARE CAPITAL (Continued)

(b) Share options (Continued)

During the year, a total of 20,000,000 share options of HK$0.01 each in the share capital of the Company were granted to certain directors of the Company under the Scheme. The vesting period of these options ends when they become exercisable. A consideration of HK$1 from each of the grantee was received. All options issued were vested during the year. The options outstanding as at 31 December 2011 had an exercise price of HK$0.053 and a weighted average remaining contractual life of 4.75 years.

Details of share options granted during the year are as follows:

Exercisable period	Exercise price per option HK$	Number of options
1 October 2011 to 30 September 2016	0.053	20,000,000

The fair value of share options granted during 2011 determined using the Trinomial Model is HK$562,000. The valuation was carried out on a fair value basis.

The inputs into the model and the estimated fair value of the share options are as follows:

Exercise price	HK$0.053
Share price at date of grant	HK$0.053
Option life	5 years
Expected dividend yield	0%
Risk free rate	0.761%
Expected volatility	74.365%
Exercise multiple	2.80X
Fair value per share option	HK$0.028

No share options had been exercised during the year. The Company recognised an expense of HK$562,000 for the year ended 31 December 2011 in relation to share options granted under the Scheme.

26 RESERVES

Group

	Merger reserve HK$'000	Capital reserve HK$'000	Convertible notes reserve HK$'000	Exchange reserve HK$'000	Employee benefits reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2010	(559,073)	14,918	517,352	174	–	110,292	83,663
Profit for the year	–	–	–	–	–	120,435	120,435
Currency translation differences	–	–	–	(47)	–	–	(47)
At 31 December 2010	(559,073)	14,918	517,352	127	–	230,727	204,051
Profit for the year	–	–	–	–	–	90,489	90,489
Currency translation differences	–	–	–	(137)	–	–	(137)
Share-based benefits (note 25(b))	–	–	–	–	562	–	562
At 31 December 2011	(559,073)	14,918	517,352	(10)	562	321,216	294,965

Company

	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Employee benefits reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	2,509	517,352	–	(64,637)	455,224
Profit for the year	–	–	–	293	293
At 31 December 2010	2,509	517,352	–	(64,344)	455,517
Profit for the year	–	–	–	322	322
Share-based benefits	–	–	562	–	562
At 31 December 2011	2,509	517,352	562	(64,022)	456,401

Notes:

(a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid to Midland Holdings, ultimate holding company of the Company, totalling HK$640,000,000 pursuant to the group reorganisation on 6 June 2007.

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

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

27 CONVERTIBLE NOTES

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

No convertible note was converted into shares of the Company during the year ended 31 December 2011 (2010: Nil).

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Trade payables	–	497	–	–
Commissions payable	73,234	133,216	–	–
Other payable and accruals	33,213	30,786	1,159	1,260
	106,447	164,499	1,159	1,260

Trade payables and commissions payable include principally the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK$15,029,000 (2010: HK$19,587,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

29 BANK LOAN

	Group	
	2011 HK$'000	2010 HK$'000
Bank loan	11,800	12,663

29 BANK LOAN (Continued)

The Group's bank loan is repayable as follows:

	2011 HK$'000	2010 HK$'000
Within 1 year	871	853
Between 1 and 2 years	889	870
Between 2 and 5 years	2,775	2,716
Over 5 years	7,265	8,224
	11,800	12,663

The amounts due are based on the scheduled dates set out in the loan agreement and ignore the effect of any repayment on demand clause. The bank loan is wholly repayable over 5 years.

The bank loan is secured by investment properties (2010: secured by land & building and investment property) held by the Group (note 17).

The effective interest rate of bank loan is 1.98% (2010: 1.95%).

The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Bank loan	11,800	12,633	11,800	12,633

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.98% (2010: 1.95%).

The Group has the following undrawn borrowing facilities:

	Group	
	2011 HK$'000	2010 HK$'000
Floating rates		
Expiring within one year	15,500	35,500

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 HK$'000	2010 HK$'000
Operating profit	105,771	143,899
Impairment of receivables	18,442	12,356
Depreciation and amortisation costs	3,437	2,241
Fair value gain on investment properties	(5,175)	(4,000)
Gain on disposal of subsidiaries	(785)	–
Loss on disposal of property, plant and equipment	331	–
Unrealised loss on financial assets at fair value through profit or loss	33	15
Share-based benefits	562	–
Operating profit before working capital changes	122,616	154,511
Decrease/(increase) in trade and other receivables	53,740	(79,899)
(Decrease)/increase in trade and other payables	(55,311)	46,136
Net cash generated from operations	121,045	120,748

(b) Disposal of subsidiaries

	2011 HK$'000
Net assets disposed:	
Property, plant and equipment	866
Trade and other receivables	3,165
Trade and other payables	(2,741)
Cash and bank balances	865
	2,155
Gain on disposal of subsidiaries	785
Total consideration	2,940
Net cash inflow from disposal of subsidiaries:	
Cash consideration	2,940
Cash and bank balances disposed	(865)
	2,075

31 CONTINGENT LIABILITIES

As at 31 December 2011, the Company executed corporate guarantees amounting to HK$29,780,000 (2010: HK$49,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2011, HK$11,800,000 of the banking facilities were utilised by a subsidiary (2010: HK$12,663,000).

32 FUTURE LEASE RENTAL RECEIVABLE

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

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	333	1,368
Between one year and five years	6	294
	339	1,662

33 COMMITMENTS

(a) Capital commitments

The Group and the Company did not have any significant capital commitments as at 31 December 2011 and 2010.

(b) Operating lease commitments

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

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	12,597	9,235
After one year but within five years	5,617	3,744
	18,214	12,979

The Company did not have any significant operating lease commitments as at 31 December 2011 and 2010.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Note	2011 HK$'000	2010 HK$'000
Agency fee income from fellow subsidiaries	(i)	13,634	21,021
Agency fee income from related companies	(ii)	4,068	396
Agency fee income from a director	(iii)	–	2,060
Rental income in respect of office premise from a fellow subsidiary	(iv)	1,368	1,368
Rebate incentives to fellow subsidiaries	(v)	26,608	40,242
Operating lease rental expense to related companies	(vi)	1,459	792

Notes:

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

(ii) Agency fee income from related companies represents agency service income receivable from certain companies, in which a director of the ultimate holding company have beneficial interests, on terms mutually agreed by both parties.

(iii) Agency fee income from a director represents agency fee for property agency service income receivable from a director of the Company and the ultimate holding company on terms mutually agreed by both parties.

(iv) The Group entered into a lease agreement with a fellow subsidiary on terms mutually agreed by both parties.

(v) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.

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

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

	2011 HK$'000	2010 HK$'000
Amounts due from fellow subsidiaries	9,003	7,898
Amounts due to fellow subsidiaries	10,084	23,148

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	2011 HK$'000	2010 HK$'000
Salaries, allowances and incentives	11,589	13,895
Retirement benefit costs	25	24
	11,614	13,919

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

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held %
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US$1 each	Investment holding in Hong Kong	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK$1 each	Property agency in Hong Kong	100
Teamway Group Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	100
Unicorp Investment Limited	Hong Kong	1 share of HK$1	Securities investment in Hong Kong	100
Gainwell Group Limited (note)	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100

35 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held %
Value Media International Limited	British Virgin Islands	100 shares of US$1 each	Investment holding in Hong Kong	100
Leader Concord Limited	Hong Kong	2 shares of HK$1 each	Investment holding in Hong Kong	100
EVI Education Asia Limited (note)	British Virgin Islands	2,000 shares of US$1 each	Investment holding in Hong Kong	100
EVI eTraining Limited	Hong Kong	1 share of HK$1	Provision of online training courses in Hong Kong	100
EVI Services Limited	Hong Kong	21,053 shares of HK$1 each	Sales and installation of computer hardware and software, provision of computer training services and internet education services in Hong Kong	100
Sinodelta Limited	Hong Kong	2 shares of HK$1 each	Provision of SMS messaging services and training of music boards and attendance systems in Hong Kong and leasing in Hong Kong	100

Note: The subsidiaries are directly held by the Company.

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
21/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%
Car park P19 2/F, Ford Glory Plaza, 37–39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%

Five-Year Financial Summary

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
For the year					
Revenues	457,104	534,650	382,322	257,598	464,405
Profit before taxation	108,065	143,570	92,625	2,645	96,269
Profit/(loss) attributable to equity holders of the Company	90,489	120,435	77,035	(607)	78,449
Cashflows					
Net cash inflow from operating activities	97,926	93,445	67,841	42,121	174,143
At year end					
Total assets	586,931	564,976	407,439	245,138	383,843
Total liabilities	123,150	192,109	154,960	69,710	207,513
Non-controlling interest	–	–	–	–	253
Total equity	463,781	372,867	252,479	175,428	176,330
Cash and bank balances	406,813	316,002	230,478	180,374	143,291
Per share data					
Earnings per share-basic (HK cents)	0.663	0.883	0.568	0.003	0.578

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