



(459)香港聯交所上市公司

**Midland IC&I Limited**

**美聯工商舖有限公司**

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(股份代號 Stock code : 459)

A panoramic view of the Hong Kong skyline, featuring numerous skyscrapers and the Victoria Harbour in the foreground. The sky is blue with scattered white clouds.

# 逆流奮進 再闖高峰

Annual Report 年報 2015

\*For identification purpose only 僅供識別

## Contents



2	Corporate Information
3	Letter from Chief Executive Officer
7	Profile of Directors
10	Corporate Governance Report
19	Report of the Directors
32	Management Discussion and Analysis
33	Independent Auditor's Report
35	Consolidated Statement of Comprehensive Income
36	Consolidated Balance Sheet
38	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
40	Notes to the Financial Statements
75	List of Investment Properties
76	Five-Year Financial Summary

## Corporate Information

### BOARD OF DIRECTORS

#### Non-Executive Directors

Ms. TANG Mei Lai, Metty *(Chairman)*  
Mr. TSANG Link Carl, Brian  
*(with Mr. CHU Kuo Fai, Gordon as his alternate)*

#### Executive Directors

Ms. WONG Ching Yi, Angela  
Mr. WONG Hon Shing, Daniel *(Chief Executive Officer)*

#### Independent Non-Executive Directors

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

### AUDIT COMMITTEE

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

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### COMPANY SECRETARY

Ms. MUI Ngar May, Joel

### AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela  
Mr. WONG Hon Shing, Daniel

### 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  
Office Tower One, Grand Plaza  
625 & 639 Nathan Road  
Mongkok, Kowloon  
Hong Kong

### AUDITOR

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

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited

### HONG KONG LEGAL ADVISER

Lu, Lai & Li  
Rooms 2201, 2201A & 2202  
22nd Floor, Tower I  
Admiralty Centre  
No. 18 Harcourt Road  
Hong Kong

### CAYMAN ISLANDS LEGAL ADVISER

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### WEBSITE

[www.midlandici.com.hk](http://www.midlandici.com.hk)

### STOCK CODE

459



## BUSINESS REVIEW

For the year ended 31 December 2015, Midland IC&I Limited (the “Company”) and its subsidiaries (collectively, the “Group”) recorded a profit attributable to equity holders of HK\$2,371,000, 94% down from 2014, and its revenue for the year decreased by 14% to HK\$470,143,000.

### Market turned sour in the second half of 2015

According to the figures from Land Registry, in 2015, the value and volume of sales registrations of non-residential properties in Hong Kong recorded a year-on-year growth of 15.9% and 14.1% respectively. The increase was mainly driven by the strong surge in equities markets in the first few months of 2015 in both mainland China and Hong Kong which resulted in a positive market sentiment. However, the market took an abrupt turn in the second half of 2015 when the overall investment sentiment was battered by the poor performance of the stock market and the depreciation of Renminbi. Indeed, the value of sales registrations of non-residential properties posted a strong growth of 58.5% in the first half of 2015 but it fell 16% in the final six months of 2015. If some exceptional registrations such as intra-group property transactions made by developers are stripped out, the value of sales registrations of non-residential properties just rose by 11% last year.

During the year, office sector outperformed as mainland financial institutions were active in purchasing office premises in Hong Kong. For instance, China Life Insurance group acquired an office tower with retail space in Hung Hom from the Wheelock group for HK\$5.85 billion, marking the largest single office tower purchase in Kowloon district. Supported by strong sales activity of stratified units, the industrial property sector also showed growth in the number of sales registrations. Low interest rate environment, lack of investment channel, and strong desire to invest in brick-and-mortar continued to stimulate demand for small-sized industrial units. For example, sales responses to the stratified units of the iPLACE and The Star were strong. However, the shop segment performed poorly as retail sector faced strong headwinds. In 2015, retail sales fell by 3.7% while it stayed virtually flat in 2014.

## Letter from Chief Executive Officer



### Operating costs increased

The Group's margin was squeezed in 2015. The sharp turnaround of the market performance rendered the whole business environment difficult. Buoyancy of the equities market in the first half of 2015 led to the expansion of the estate agency industry and rental expenses also went up because of positive rental revision, so the whole industry suffered from a high cost base last year. During the reporting year, the impairment of receivables rose significantly as a transaction with consideration at above HK\$1 billion fell through.

### OUTLOOK

The global economy is full of challenges in 2016. Pace of the increase of interest rate, strengthening of US dollars, concerns over slowdown in global economic growth, fluctuations of oil prices and trend of Renminbi will continue to cast doubt over the development of the world economy. The volatilities in the equities market in mainland China and Hong Kong have been high. However, the central government has stepped up its effort in reviving the economy in mainland China. As a result, property markets of the tier-1 mainland cities have performed strongly. The Group believes that stimulative measures coupled with economic reforms can benefit the long term development of the economy in mainland China.

The prospects of the local economy are also full of challenges. Strong US dollars have hit the tourism industry very hard. Last year, the number of tourist arrivals to Hong Kong fell by 2.5%. During the recent Lunar New Year holidays, the mainland tourists arriving Hong Kong fell while those visiting Macau grew notwithstanding that the exchange rate between Hong Kong dollars and Macao patacas has been stable. This is an alarming sign for Hong Kong's tourism industry as this shows that factors other than currency rate have contributed to the drop in the number of tourists visiting Hong Kong. Even worryingly, the Shanghai Disneyland will open in coming June and this may draw some tourists away from Hong Kong. Therefore, the tourism industry is not expected to rebound soon. If the tourism industry suffers, so does the retail sector. As US dollars stay strong, more Hong Kong residents may travel abroad and the local consumption may weaken further. Besides, the social issues taken place in Hong Kong in recent years have negatively influenced Hong Kong's profile and discouraged mainland tourists from visiting. New restrictions such as the change of Shenzhen permanent residents' multiple-entry permits to one-visit-one-week permits also have unfavourable impact on both the tourism and retail industries.

Letter from Chief Executive Officer



"Hong Kong Leaders' Choice 2016" Award was presented to Mr. Daniel WONG, Chief Executive Officer of the Company, by Metro Finance.



The Company actively participates in volunteer service. Our Chief Executive Officer, Mr. Daniel WONG, together with colleagues, visited elderly people living alone and distributed mooncakes to them during Mid-Autumn Festival, to show our care and love for them.



The Company always participates in charitable activities to contribute to the community. Among others, it participated in a fundraising walkathon which was of great significance, because it raised funds for those less fortunate elderly who needed to have eye surgery.

Market activity may slow

Retail property sector has consolidated for quite some time and it is not expected to recover in the near future as the outlook for the retail sector is gloomy, while the industrial property sector is likely to remain stable. Of course, investors have turned to be more risk-averse as the overall market sentiment has turned to be more cautious. Hence, sales of stratified industrial units may slow down this year. However, the industrial property sector will continue to benefit from the transformation of Kowloon East into Hong Kong's next central business district. Indeed, this area is likely to be the market focus in 2016 as in the next financial year's land sale programme, more than 10 Government sites are located in the Kai Tak area.

## Letter from Chief Executive Officer

The reposition of Kowloon East will support the sales activity of office premises in this area as well. Moreover, mainland financial institutions still show strong interest in acquiring office towers in Hong Kong. Late last month, China Everbright Limited announced the acquisition of Dah Sing Financial Centre at Gloucester Road, Wanchai, for HK\$10 billion, the second-largest office transaction in Hong Kong. Besides, the release of the Murray Road multi-storey car park site for land sales will relieve the tight supply situation in the central business districts. This helps to address the concerns of some multinational corporations and helps Hong Kong to strengthen its position as an international financial centre. Nonetheless, the outlook for the office property sector is still quite uncertain as it is subject to the global and local economic environments. However, since the current market transaction volume of the non-residential properties has reached an extremely low level, even a mild relaxation of policies such as easing of mortgage lending requirements may lead to an increase in sales activity.

### To enhance cost efficiency

The operating environment for the Group is believed to be challenging. As the demand for investment weakens, sales of stratified retail and industrial units are expected to decline. However, there may still be some big-ticket transactions taking place because demand from mainland financial institutions is still strong. The change in the transaction mixture has had important implications on our resource allocation efforts. The Group, in this year, will take appropriate steps to deal with the market changes.

### APPRECIATION

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

**WONG Hon Shing, Daniel**  
*Chief Executive Officer*

Hong Kong, 21 March 2016

## Profile of Directors

### NON-EXECUTIVE DIRECTORS

**Ms. TANG Mei Lai, Metty**, aged 60, has been the Chairman of the Company since September 2008. She had also been an Executive Director and the Managing Director of the Company since September 2008 and October 2008 respectively before her re-designation as Non-Executive Director of the Company in December 2014. Ms. TANG is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Ms. TANG leads the board of directors of the Company (the "Board") and is responsible for ensuring that the Board functions effectively and acts in the best interests of the Company. Ms. TANG is responsible for the overall corporate development as well as investment strategy and management 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, and its subsidiaries (collectively, "Midland Group").

Ms. TANG has been an Executive Director of Midland Holdings since December 2005. She was 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. She joined Midland Group in 2004. She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of Midland Holdings, and the mother of Ms. WONG Ching Yi, Angela, Executive Director of the Company and the Deputy Chairman, Managing Director and Executive Director of Midland Holdings.

**Mr. TSANG Link Carl, Brian**, aged 52, 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 Lu, Lai & Li, the legal adviser of the Company and Midland Holdings. He graduated from King's College London with an 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.

### EXECUTIVE DIRECTORS

**Ms. WONG Ching Yi, Angela**, aged 35, has been the Executive Director of the Company since December 2011. She was the Executive Director of the Company from June 2007 to March 2008.

Ms. WONG is responsible for formulating, overseeing and implementing the overall corporate strategies and policies of Midland Group as well as the corporate development and governance of Midland Group. She is also responsible for the overall management and sales operations of Midland Group, and oversees other operations ranging from finance, professional services, investor relations, information technology to corporate communications.

Ms. WONG has solid experience in real estate industry and has been a key contributor to the growth and development of Midland Group. She has demonstrated strong leadership and has been instrumental in leading Midland Group to promote its strategies and meet challenges in the increasingly competitive environment. She introduced a series of strategic initiatives, which has improved the operating efficiency of Midland Group as well as strengthened the market position of Midland Group.

## Profile of Directors

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 had been the Deputy Managing Director of Midland Holdings since August 2011 before her re-designation as Managing Director of Midland Holdings in December 2014.

Ms. WONG is a director of various members of Midland Group and a director of 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 Limited.

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, member of The Y.Elites Association and Honorary Vice President of the advisory board of Business Association BEA HKUSU. She was a member of the Practice and Examination Committee of the Estate Agents Authority and is currently a member of the Professional Development Committee of the Estate Agents Authority. She is also a member of the Sponsorship and Development Fund Committee of The Open University of Hong Kong Jubilee College.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman and Non-Executive Director of Midland Holdings and Ms. TANG Mei Lai, Metty, the Chairman and Non-Executive Director of the Company and the Executive Director of Midland Holdings.

**Mr. WONG Hon Shing, Daniel**, aged 52, has been appointed as the Executive Director and Chief Executive Officer of the Company since December 2011. He is also a member of the Remuneration Committee and Nomination Committee and the Chairman of the Risk Committee of the Company.

Mr. WONG is a certified financial planner of The Institute of Financial Planners of Hong Kong. He graduated from The Open University of Hong Kong with a bachelor's degree in Business Administration and also holds a Master Degree of Science in International Real Estate from The Hong Kong Polytechnic University. He is a professional member of The Royal Institution of Chartered Surveyors.

Mr. WONG was the Sales Director of the Commercial Department of the Group and from May 2009 to December 2011, he acted as the Chief Operating Officer of the Group. He joined Midland Group in 1994 and joined the Group in 2006. He has over 26 years of experience in non-residential property agency business in Hong Kong. Mr. WONG is a director of various members of the Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. YING Wing Cheung, William**, aged 65, 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 41 years of 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 Jiangwei Electronics Technology Co. Ltd.

Mr. YING was a member of the Eighth, Ninth and Tenth Guangdong Provincial Committee of Chinese People's Political Consultative Conference from 1998 to 2013. He also serves in various social organisations. He is currently the president of Sze Yap Clansmen Association (Yuen Long, 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 Jiangmen Committee of Chinese People's Political Consultative Conference from 1993 to 2003.

## Profile of Directors

**Mr. SHA Pau, Eric**, aged 58, 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 30 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 51, 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 practising 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 was the Independent Non-Executive Director of three companies listed on the main board of the Stock Exchange, namely, Suncorp Technologies Limited from March 2008 to May 2012, CIAM Group Limited (now known as FDG Kinetic 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 50, 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, the legal adviser of the Company and Midland Holdings. Mr. CHU graduated from King's College London with an LLB Degree. He is also admitted to practise law in England and Wales, Australian Capital Territory, New York, Queensland and New South Wales.

## Corporate Governance Report

The Board 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 code provisions set out in the Corporate Governance Code (the "Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2015.

### BOARD OF DIRECTORS

#### (i) Board Responsibilities and Delegation

The Board is responsible for the 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 annual 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 Group 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 shall report to the Board.

All the directors of the Company ("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. All the Directors including 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 seven Directors with two Executive Directors, two Non-Executive Directors (with an alternate for one Non-Executive Director) and three Independent Non-Executive Directors. The composition of the Board is set out as follows:

##### *Non-Executive Directors*

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

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

##### *Executive Directors*

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel (*Chief Executive Officer*)

##### *Independent Non-Executive Directors*

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

## Corporate Governance Report

### BOARD OF DIRECTORS (Continued)

#### (ii) Board Composition (Continued)

Save and except Ms. TANG Mei Lai, Metty ("Ms. TANG") is the mother of Ms. WONG Ching Yi, Angela, none of the members of the Board are related to one another. The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 7 to 9 of this Annual Report.

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

#### (iii) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separated.

Ms. TANG leads the Board and is responsible for ensuring that the Board functions effectively and acts in the best interests of the Company.

Mr. WONG Hon Shing, Daniel is the Chief Executive Officer of the Company. The Chief Executive Officer of the Company is responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieve the overall objectives of the Group.

#### (iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2015, the Board held five meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective Board, committees and general meetings are set out on page 15 of this Annual Report.

#### (v) Non-Executive Directors

Ms. TANG and Mr. TSANG Link Carl, Brian (with Mr. CHU Kuo Fai, Gordon as his alternate), both the Non-Executive Directors, have been appointed for a specific term of two years and one year respectively. Mr. HO Kwan Tat, Ted and Mr. SHA Pau, Eric, both the Independent Non-Executive Directors, 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 2015 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 and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the Independent Non-Executive Directors representing at least one-third of the Board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are 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 experience, skills, knowledge and time commitment to carry out the duties and responsibilities of Director. 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.

## BOARD OF DIRECTORS (Continued)

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

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) shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years. If an Independent Non-Executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. 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.

### (vii) Directors' Training

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package comprising a summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and a publication entitled "A Guide on Directors' Duties" issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretarial Department of the Company reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors and may provide them with written materials, where appropriate, as well as organises seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year, the Company arranged an in-house seminar covering corporate governance, regulatory development and/or other suitable topics with training materials provided. A summary of the record of training received by the Directors during the year 2015 is as follows:

	Training on corporate governance, regulatory development and/or other suitable topics
<i>Non-Executive Directors</i>	
Ms. TANG Mei Lai, Metty	✓
Mr. TSANG Link Carl, Brian	✓
Mr. CHU Kuo Fai, Gordon	✓
<i>(alternate director to Mr. TSANG Link Carl, Brian)</i>	
<i>Executive Directors</i>	
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Hon Shing, Daniel	✓
<i>Independent Non-Executive Directors</i>	
Mr. YING Wing Cheung, William	✓
Mr. SHA Pau, Eric	✓
Mr. HO Kwan Tat, Ted	✓

## Corporate Governance Report

### BOARD COMMITTEES

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

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

#### (i) Executive Committee

The Executive Committee mainly 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 two members including Ms. WONG Ching Yi, Angela and Mr. WONG Hon Shing, Daniel, all being the Executive Directors.

#### (ii) Audit Committee

The Audit Committee comprises three members and is chaired by Mr. HO Kwan Tat, Ted, with two other members, namely Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric, all being the 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 mainly responsible for, inter alia, reviewing the Company's financial statements including the interim and annual results and reports, the effectiveness of the Company's financial controls 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 the external auditor, and reviews and monitors 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, two Audit Committee meetings were held to review and approve the 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. There was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

For the year ended 31 December 2015, the Company had in place the arrangement for employees and stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

#### (iii) Remuneration Committee

The Remuneration Committee is chaired by Mr. HO Kwan Tat, Ted, being the Independent Non-Executive Director, with four other members, namely Ms. TANG, Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William and Mr. SHA Pau, Eric. Majority of the Remuneration Committee members are Independent Non-Executive Directors.

## Corporate Governance Report

## BOARD COMMITTEES (Continued)

## (iii) Remuneration Committee (Continued)

The Remuneration Committee is mainly responsible for, inter alia, reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. 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 included reviewing the overall remuneration of the Group and recommending the remuneration of the relevant Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package. During the year, two Remuneration Committee meetings were held.

The remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of person(s)
HK\$0 – HK\$1,000,000	1
HK\$1,000,001 – HK\$2,000,000	–
HK\$2,000,001 – HK\$3,000,000	1
HK\$3,000,001 – HK\$4,000,000	–

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 9 to the financial statements on pages 55 to 57 of this Annual Report.

## (iv) Nomination Committee

The Nomination Committee is chaired by Ms. TANG, being the Non-Executive Director, with four other members, namely Mr. WONG Hon Shing, Daniel, Mr. YING Wing Cheung, William, Mr. SHA Pau, Eric and Mr. HO Kwan Tat, Ted. Majority of the Nomination Committee members are Independent Non-Executive Directors.

The Nomination Committee is mainly responsible for, inter alia, formulating and reviewing the nomination policy, making recommendations to the Board on the nomination, appointment and re-appointment of Directors and Board succession, and assessing the independence of the 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 included reviewing and making recommendation to the Board on the Board composition, assessing the independence of the Independent Non-Executive Directors and reviewing the retirement and rotation plan of the Directors. During the year, two Nomination Committee meetings were held.

## Corporate Governance Report

## BOARD COMMITTEES (Continued)

## (iv) Nomination Committee (Continued)

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. As such, the Company adopted a board diversity policy in August 2013. A truly diverse Board will include differences in the talents, skills, knowledge, regional, industry and professional experience, cultural and educational background, race, age, gender and other qualities of the members of the Board. Selection of candidates is based on a range of diversity perspectives. The ultimate decision is based on merit and contribution which would be brought by the candidates to the Board if he/she were selected as a Director. The Nomination Committee is of the view that the current composition of the Board has achieved the objectives set in the above board diversity policy.

## (v) Risk Committee

The Risk Committee was established on 1 January 2016 with written terms of reference available on the website of the Company. The Risk Committee is chaired by Mr. WONG Hon Shing, Daniel, being the Chief Executive Officer and Executive Director of the Company, with three other members, being the Chief Legal Counsel, the Chief Financial Officer and the head of the Internal Audit Department.

The principal role and responsibilities of the Risk Committee include reviewing the Group's risk management system and framework, advising the Board on the current risk exposures of the Group and future risk strategy and considering emerging risks relating to the Group's business and strategies.

## ATTENDANCE RECORDS AT THE BOARD, COMMITTEES AND GENERAL MEETINGS

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meetings for the year ended 31 December 2015 are set out below:

Directors	No. of Meetings Attended/Held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General
<i>Non-Executive Directors</i>					
Ms. TANG Mei Lai, Metty ( <i>Chairman</i> )	5/5	N/A	2/2	2/2	1/1
Mr. TSANG Link Carl, Brian	1/5	N/A	N/A	N/A	0/1
Mr. CHU Kuo Fai, Gordon ( <i>alternate director to Mr. TSANG Link Carl, Brian</i> )	3/5	N/A	N/A	N/A	1/1
<i>Executive Directors</i>					
Ms. WONG Ching Yi, Angela	5/5	N/A	N/A	N/A	1/1
Mr. WONG Hon Shing, Daniel ( <i>Chief Executive Officer</i> )	5/5	N/A	2/2	2/2	1/1
<i>Independent Non-Executive Directors</i>					
Mr. YING Wing Cheung, William	5/5	2/2	2/2	2/2	1/1
Mr. SHA Pau, Eric	5/5	2/2	2/2	2/2	1/1
Mr. HO Kwan Tat, Ted	5/5	2/2	2/2	2/2	1/1

## Corporate Governance Report

### 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 confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2015.

### DIRECTORS' INTERESTS

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporation are set out in the Report of the Directors on pages 22 to 23 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 as at 31 December 2015 and of the Group's results and cash flows for the year ended 31 December 2015. In preparing the financial statements for the year ended 31 December 2015, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the independent auditor of the Company on the 2015 financial statements of the Group are set out in the "Independent Auditor's Report" on pages 33 to 34 of this Annual Report.

### CORPORATE GOVERNANCE FUNCTION

In order to achieve enhanced corporate governance of the Company, the Board has undertaken and delegated to the Executive Committee to constantly review the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. During the year, the Executive Committee performed the duties relating to corporate governance matters as aforementioned.

### AUDITOR'S REMUNERATION

The remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group for the year ended 31 December 2015 amounted to approximately HK\$806,000 (2014: HK\$781,000) and HK\$391,000 (2014: HK\$389,000) 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 operation. It is responsible for conducting regular audit on the major activities of the Group. 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 2015, the Board, with the assistance of the Internal Audit Department and the Audit Committee, conducted an annual review of the effectiveness of the Group's system of internal control. The review also included the consideration of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

## Corporate Governance Report

### COMPANY SECRETARY

The Company engages an external service provider to provide secretarial services and has appointed Ms. MUI Ngar May, Joel ("Ms. MUI") as its Company Secretary. Ms. MUI is not an employee of the Group and Mr. SZE Ka Ming, the Chief Financial Officer of the Company, is the person whom Ms. MUI can contact for the purpose of code provision F.1.1 of the Code. Ms. MUI undertook over 15 hours of professional training during the year.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company is committed to ensuring that the Group shall comply with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors of the Company have opportunities to receive and obtain information issued by the Company. Information regularly provided to the shareholders includes annual and interim reports, circulars and announcements in accordance with the applicable laws and regulations.

Pursuant to the Listing Rules, voting by poll becomes mandatory on all resolutions (except resolutions relate purely to procedural or administrative matters) put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and 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 in accordance with the Code.

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in general meetings of the Company. The Company acknowledges that general meetings are good communication channels with its shareholders. The Company welcomes the attendance of its shareholders at general meetings to express their views. At the general meeting, each substantial issue will be considered by a separate resolution, including the re-election of individual retiring Directors, and the poll procedures will be clearly explained. The Chairman of the Board and the Chairmen of the relevant Board committees and/or their duly appointed delegates and/or Board committee members are available to attend the annual general meeting to interact with, and answer questions from, the shareholders. The external auditor is also required to be present at the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor's independence.

To foster effective communications with shareholders and investors, the Company maintains a website at [www.midlandici.com.hk](http://www.midlandici.com.hk) where the Company's announcements, circulars, notices, financial reports, business development, corporate governance practices, latest memorandum and articles of association of the Company and other information are posted.

The 2015 annual general meeting of the Company was held on 25 June 2015. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Directors including Chairman of the Board, Chairman and members of the Audit Committee, Nomination Committee and Remuneration Committee as well as the representative of PricewaterhouseCoopers attended the 2015 annual general meeting and had effective communication with shareholders of the Company.

During the year, there were no changes to the memorandum and articles of association of the Company.

## SHAREHOLDERS' RIGHTS

### (i) Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM")

The Board shall, at all times, on the requisition in writing to the Board or the Company Secretary of the Company by one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)"), forthwith proceed to convene an EGM in accordance with the articles of association of the Company.

If within twenty-one days of the deposit of such requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may do so in accordance with the articles of association of the Company, and all reasonable expenses incurred by the requisitionist(s) concerned as a result of the failure of the Board shall be reimbursed to the requisitionist(s) concerned by the Company.

### (ii) Procedures for Putting Forward Proposals at EGM

Eligible Shareholders who wish to require an EGM to be called by the Board for the purpose of making proposals at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal office of the Company in Hong Kong at Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong for the attention of "Manager, Company Secretarial Department".

The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, and signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Board will convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

The procedures for a shareholder of the Company to propose a person for election as a Director is posted on the website of the Company.

### (iii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited. Shareholders and the investment community may during office hours make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send their enquiries and concerns to the Board by addressing them to the Investor Relations Department by post at Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong or by email to [investor@midlandici.com.hk](mailto:investor@midlandici.com.hk).

## Report of the Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2015.

### PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 30 to the financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2015 by operating segments are set out in note 6 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 35 of this Annual Report.

The Board did not declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

### BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2015 as well as discussion on the future business development of the Group are provided in the Letter from Chief Executive Officer on pages 3 to 6 and the Management Discussion and Analysis on page 32 of this Annual Report. Description of the principal risks and uncertainties facing the Group can be found in the Letter from Chief Executive Officer on pages 3 to 6 and note 4 to the financial statements on pages 48 to 50 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on page 32 of this Annual Report. The above sections form part of this report.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the paragraphs below.

#### Environmental policies and performance

The Group recognises the importance of good environmental stewardship and promulgates the environmental strategy of "4R", namely "Reduce, Reuse, Recycle and Replace". The Group has implemented various environmental protection measures, and the Group was awarded "Class of Excellence" Wastewi\$e Label granted by the Environmental Campaign Committee.

#### Relationships with key stakeholders

The Group maintains good relationship with its key stakeholders, which include employees, customers and shareholders.

#### Employees

The Group considers its employees as important and valuable assets, and is committed to providing a pleasant working environment and promoting work-life balance. In this regard, the Group has implemented various policies, ranging from casual wear day, birthday and family-care holiday, to organising various leisure activities for its employees from time to time.

The Group believes that communication is important in building up good relationship between management and employees. The management issues regular newsletters which are circulated to the employees through intranet. The Group also encourages employees to provide suggestions to the Group through various platforms.

#### Customers

The Group's main customers are purchasers, vendors, landlords and tenants of properties. The Group considers customers as a major stakeholder and is committed to providing comprehensive and high quality customer services.

#### Shareholders

The Group is committed to enhancing the shareholders' value and safeguarding the shareholders' interest through sound and effective corporate governance practices and procedures. Further discussion of the corporate governance practices and procedures are set out in the Corporate Governance Report on pages 10 to 18 of this Annual Report.

## Report of the Directors

### BUSINESS REVIEW (Continued)

#### Compliance with the relevant laws and regulations

As the principal activity of the Group is estate agency, the Group takes particular care to comply with the requirements of the Estate Agents Ordinance. The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data. To ensure compliance with the applicable laws and regulations, the Group conducts regular training sessions for its staff, sets out guidelines and issues internal circulars to its staff from time to time.

In relation to human resources, the Group is committed to complying with the ordinances relating to employment, such as the Employment Ordinance, the Minimum Wage Ordinance, the Personal Data (Privacy) Ordinance, the ordinances relating to disability, sex, family status and race discrimination as well as the ordinance relating to occupational safety.

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the Securities and Futures Ordinance (the "SFO") such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code for the year ended 31 December 2015. 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.

### RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 21 and note 29 to the financial statements respectively.

### CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK\$208,000 (2014: HK\$179,000).

### PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 15 to the financial statements.

### INVESTMENT PROPERTIES

Details of the movements in investment properties of the Group during the year are set out in note 16 to the financial statements. Details of the properties held for investment purposes are set out on page 75 of this Annual Report.

### SHARES ISSUED AND SHARE CAPITAL

During the year, the Company issued 5,000,000 ordinary shares, fully paid, for a total consideration of HK\$220,000 as a result of the exercise of share options granted under the share option scheme of the Company ("Share Option Scheme").

Details of the shares issued by the Company and the movements in the share capital of the Company during the year are set out in note 20 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 applicable laws of the Cayman Islands.

## Report of the Directors

### DISTRIBUTABLE RESERVES

As at 31 December 2015, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and retained earnings which in aggregate amounted to HK\$1,070,020,000 (2014: HK\$1,070,283,000). Under the Companies Law of the Cayman Islands, the share premium of the Company may be applied 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 shall be 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 76 of this Annual Report.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

### BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2015 and up to the date of this report are as follows:

#### *Non-Executive Directors*

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

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

#### *Executive Directors*

Ms. WONG Ching Yi, Angela

Mr. WONG Hon Shing, Daniel (*Chief Executive Officer*)

#### *Independent Non-Executive Directors*

Mr. YING Wing Cheung, William

Mr. SHA Pau, Eric

Mr. HO Kwan Tat, Ted

According to Article 87 of the articles of association of the Company, Mr. WONG Hon Shing, Daniel, Mr. TSANG Link Carl, Brian and Mr. SHA Pau, Eric shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, will offer themselves for re-election.

### DIRECTORS' SERVICE CONTRACTS

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

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, no transactions, arrangements and contracts that are significant in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its parent company was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his or her duty, or supposed duty, in his or her office provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him or her. The Company has arranged directors' and officers' liability insurance for the directors of the Group.

## Report of the Directors

### EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme and the outstanding share options of the Company granted in prior years are set out in the section headed "SHARE OPTION SCHEME" in this report and note 20 to the financial statements. No share options of the Company were granted during the year ended 31 December 2015.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 as set out in Appendix 10 to the Listing Rules, were as follows:

#### (i) Long positions in the shares and underlying shares of the Company

Name of Director	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of the Company
Mr. WONG Hon Shing, Daniel	Personal interest/ Beneficial owner	20,000,000	15,000,000 <i>(Note 1)</i>	35,000,000	0.26%
Mr. TSANG Link Carl, Brian	Personal interest/ Beneficial owner	–	5,000,000 <i>(Note 2)</i>	5,000,000	0.04%
Mr. YING Wing Cheung, William	Personal interest/ Beneficial owner	3,000,000	5,000,000 <i>(Note 3)</i>	8,000,000	0.06%
Mr. SHA Pau, Eric	Personal interest/ Beneficial owner	–	5,000,000 <i>(Note 4)</i>	5,000,000	0.04%
Mr. HO Kwan Tat, Ted	Personal interest/ Beneficial owner	–	5,000,000 <i>(Note 5)</i>	5,000,000	0.04%

#### Notes:

- These underlying shares were held by Mr. WONG Hon Shing, Daniel by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. TSANG Link Carl, Brian by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. YING Wing Cheung, William by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. SHA Pau, Eric by virtue of the interests in the share options of the Company granted to him.
- These underlying shares were held by Mr. HO Kwan Tat, Ted by virtue of the interests in the share options of the Company granted to him.
- Details of the share options granted by the Company to the above Directors are set out in the section headed "SHARE OPTION SCHEME" in this report.

## Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVE'S 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	Nature of interest/ Capacity	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued shares of associated corporation
Midland Holdings	Ms. TANG	Family interest/ Interest of spouse	185,830,144 <i>(Note 7)</i>	7,209,160 <i>(Note 8)</i>	193,039,304	26.88%
		Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 9)</i>	7,209,160	1.00%
Midland Holdings	Ms. WONG Ching Yi, Angela	Personal interest/ Beneficial owner	-	7,209,160 <i>(Note 10)</i>	7,209,160	1.00%

*Notes:*

7. These shares represent the shares held directly or indirectly by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), the spouse of Ms. TANG, as ultimate beneficial owner in the shares of Midland Holdings, the associated corporation of the Company.
8. These underlying shares represent the interests in the share options of Midland Holdings held by Mr. WONG, the spouse of Ms. TANG, by virtue of the interests in the share options of Midland Holdings granted to him.
9. These underlying shares were held by Ms. TANG by virtue of the interests in the share options of Midland Holdings granted to her.
10. These underlying shares were held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options of Midland Holdings granted to her.

Saved as disclosed above, as at 31 December 2015, neither the Directors nor the chief executive of the Company had 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.

## Report of the Directors

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, neither the Company nor any of its subsidiaries was 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 at any time during the year or at the end of the year.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

#### Long positions in the shares and underlying shares of the Company

Name of substantial shareholder	Number of ordinary shares	Holding capacity/ Nature of interest	Approximate percentage of the issued shares of the Company
Midland Holdings	9,700,000,000 <i>(Note)</i>	Interest of controlled corporation/Corporate interest	70.78%
Valuewit Assets Limited ("Valuewit")	9,700,000,000 <i>(Note)</i>	Beneficial owner/ Beneficial interest	70.78%

*Note:* Valuewit was an indirect wholly-owned subsidiary of Midland Holdings. Midland Holdings was deemed to be interested in these 9,700,000,000 shares held by Valuewit under the SFO.

Save as disclosed above, as at 31 December 2015, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

### 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 any entity in which any member of the Group holds an equity interest ("Invested Entity") 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 to give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or Invested Entities.

## Report of the Directors

### SHARE OPTION SCHEME (Continued)

#### (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.

"eligible person" means any employee (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Company, any of its affiliates or any Invested Entity, or any of their respective associates or chief executives or substantial shareholder who, as determined by the Board, has contributed or will contribute to the growth and development of the Group or any Invested Entity.

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

The total number of shares available for issue for all outstanding options as at the date of this Annual Report is 145,000,000, representing approximately 1.06% of the issued shares of the Company. The total number of shares available for issue in respect of options which may be granted is 680,000,000, representing approximately 4.96% of the issued shares of the Company as at the date of this Annual Report.

#### (d) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible person under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) 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 subject to separate approval by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, the shareholders of Midland Holdings at their respective general meetings with such eligible person and his or her associates abstaining from voting, other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

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#### (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 the options granted under the Share Option Scheme and any other share option scheme(s) of the Company to each eligible person who is an independent non-executive director or a substantial shareholder of the Company or, for so long as the Company remains a subsidiary of Midland Holdings, of Midland Holdings, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of 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 separately approved by the shareholders of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, by the shareholders of Midland Holdings with all connected persons of the Company and, for so long as the Company remains a subsidiary of Midland Holdings, of Midland Holdings abstaining from voting at their respective general meetings, except that any connected person may vote against the relevant resolution at the general meeting(s) provided that his or her intention to do so has been stated in the circular(s) to be sent to the relevant shareholders, and subject to other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

#### (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 shall 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) Acceptance of offer

An offer for the grant of an option made by the Company must be accepted within ten business days from the day on which such offer is made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK\$1.

## Report of the Directors

## SHARE OPTION SCHEME (Continued)

## (h) Basis of determining the exercise price

The exercise price of an option to subscribe for 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.

## (i) 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 ten years from the date of adoption.

Movements in the outstanding share options of the Company granted under the Share Option Scheme during the year were as follows:

Name of director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		

**Directors of the Company**

Mr. WONG Hon Shing, Daniel	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Mr. TSANG Link Carl, Brian	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. YING Wing Cheung, William	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. SHA Pau, Eric	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016
Mr. HO Kwan Tat, Ted	2 September 2011	0.053	5,000,000	-	-	-	5,000,000	1 October 2011 to 30 September 2016

## Report of the Directors

## SHARE OPTION SCHEME (Continued)

Name of director	Date of grant	Exercise price per share HK\$	Number of share options				Balance outstanding as at 31 December 2015	Exercisable period
			Balance outstanding as at 1 January 2015	Granted during the year	Cancelled/lapsed during the year	Exercised during the year		
<b>Directors of Midland Holdings</b>								
Mr. WONG Tsz Wa, Pierre	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	30,000,000	-	-	-	30,000,000	15 December 2016 to 14 December 2019
Mr. CHEUNG Kam Shing	10 December 2014	0.044	5,000,000	-	-	(5,000,000) <i>(Note)</i>	-	15 December 2014 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	5,000,000	-	-	-	5,000,000	15 December 2016 to 14 December 2019
Ms. IP Kit Yee, Kitty	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2014 to 14 December 2019
	10 December 2014	0.044	3,330,000	-	-	-	3,330,000	15 December 2015 to 14 December 2019
	10 December 2014	0.044	3,340,000	-	-	-	3,340,000	15 December 2016 to 14 December 2019
Total			150,000,000	-	-	(5,000,000)	145,000,000	

*Note:* Share options for subscription of 5,000,000 ordinary shares of the Company were exercised by Mr. CHEUNG Kam Shing on 29 June 2015. The aforesaid shares were issued and allotted to him on 13 July 2015. The closing price of shares of the Company immediately before the date of exercise of the said share options was HK\$0.077 per share.

Information on the accounting policy for share options granted under the Share Option Scheme is provided in note 3(q)(iii) to the financial statements.

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

## Report of the Directors

### MANAGEMENT CONTRACTS

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

### MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2015.

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. The significant related party transactions entered into by the Group during the year set out in note 28 to the financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

### CONTINUING CONNECTED TRANSACTIONS

The following transactions between certain connected persons (as defined in the Listing Rules) of the Company and the Group were entered into and during the year ongoing for which relevant announcements had been made by the Company in accordance with the Listing Rules.

1. A tenancy agreement was made on 7 April 2014 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company wholly owned by an associate of Ms. TANG, the Chairman and a Non-Executive Director of the Company (as at the date of the agreement, Ms. TANG was the Chairman, the Managing Director and an Executive Director of the Company) and Ms. WONG Ching Yi, Angela, the Executive Director of the Company, as landlord whereby the landlord agreed to let the premises located at Nos.11-16, 7th Floor, Tower B, New Mandarin Plaza, No.14 Science Museum Road, Kowloon as office for the real estate agency business of the Group for a term of two years commencing from 1 May 2014 to 30 April 2016 at a monthly rental of HK\$162,000 without rent-free period and option to renew (details of which were disclosed in the announcement of the Company dated 7 April 2014).
2. A licence agreement was made on 23 September 2013 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly owned by an associate of Ms. TANG and Ms. WONG Ching Yi, Angela, as licensor whereby a licence was granted to install signage(s) at the lower part of the external wall facing Shanghai Street of the building known as "No. 33 Argyle" at Nos. 611-617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2013 to 31 October 2015 at a monthly licence fee of HK\$68,000 (details of which were disclosed in the announcement of the Company dated 7 April 2014).

## Report of the Directors

## CONTINUING CONNECTED TRANSACTIONS (Continued)

3. A services agreement (the "Services Agreement") was made on 7 April 2014 between the Company and Midland Holdings, the holding company and controlling shareholder of the Company, whereby Midland Holdings may refer prospective purchasers of property in Hong Kong to the Company to apply for certain cashier's order payments in favour of property developers or any entity designated by such property developers. The service fees (exclusive of disbursements) payable or procured to be paid by Midland Holdings to the relevant member of the Group in connection with each cashier's order which is provided or renewed by the relevant member of the Group pursuant to the Services Agreement shall be charged at the rate of 0.125% of the face value of the cashier's order for every 15 day period. Midland Holdings and the Company acknowledged and agreed that the aggregate value of cashier's orders issued but not returned to the relevant member of the Group at any one time in connection with the services provided pursuant to the Services Agreement shall not exceed HK\$400,000,000. The said transactions would provide flexibility to the Group to utilise its surplus cash at its discretion for an enhanced return. The term of the Services Agreement is 3 years commencing from 1 January 2014 to 31 December 2016.

Under the Services Agreement, the maximum annual amount of the fees paid/payable by the relevant members of Midland Group to the Group under the Services Agreement for the years ended 31 December 2014 and 2015 and the year ending 31 December 2016 had been fixed at HK\$10 million, HK\$12 million and HK\$12 million respectively. The aggregate annual value of the service fees paid/payable by the relevant members of Midland Group to the Group under the Services Agreement in 2015 was approximately HK\$0.7 million, which had not exceeded the maximum aggregate annual value for that year (details relating to the Services Agreement and the annual caps were set out in the announcement of the Company dated 7 April 2014).

4. A tenancy agreement was made on 13 March 2014 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby the landlord agreed to let the premises located at the whole of 21st Floor, Ford Glory Plaza, No.37 Wing Hong Street, Kowloon for generating secure and steady income and providing price certainty on rental for the benefits of the Group for a term of two years commencing from 19 March 2014 to 18 March 2016 at a monthly rental of HK\$175,000 without rent-free period and option to renew (details of which were disclosed in the announcement of the Company dated 13 March 2014).
5. A cross referral services agreement (the "Cross Referral Services Agreement") was made on 31 October 2012 between the Company and Midland Holdings in relation to cross referral services provided between the relevant members of Midland Group and of the Group, whereby Midland Group may refer estate agency business in respect of industrial and commercial properties and shops in Hong Kong, Macau and the People's Republic of China (the "PRC") to the relevant members of the Group from time to time, and the Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of Midland Group from time to time (the "Transactions"). The Transactions had been conducted on a case-by-case basis and 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 13 December 2012.

Under the Cross Referral Services Agreement, the annual caps for the referral fees paid/payable by the Group to Midland Group for the years ended 31 December 2013, 2014 and 2015 had been fixed at HK\$84 million, HK\$89 million and HK\$94 million respectively, while the annual caps for the referral fees paid/payable by Midland Group to the Group for the years ended 31 December 2013, 2014 and 2015 had been fixed at HK\$40 million, HK\$45 million and HK\$50 million respectively. The aggregate annual values of the referral fees paid/payable by the Group to Midland Group under the Cross Referral Services Agreement in 2015 were approximately HK\$74.6 million and of the referral fees paid/payable by Midland Group to the Group under the Cross Referral Services Agreement in 2015 were approximately HK\$26.4 million, which had not exceeded the maximum aggregate annual values for that year (details relating to the Cross Referral Services Agreement and the annual caps were set out in the announcement and circular of the Company dated 31 October 2012 and 21 November 2012 respectively).

In this section headed "CONTINUING CONNECTED TRANSACTIONS", "Midland Group" means Midland Holdings and its subsidiaries (excluding the Group).

## Report of the Directors

### CONTINUING CONNECTED TRANSACTIONS (Continued)

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions (the “Continuing Connected Transactions”) have been reviewed by the Independent Non-Executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements 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 Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “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 its unqualified report containing its findings and conclusions in respect of the Continuing Connected Transactions disclosed on pages 28 to 29 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s report has been provided by the Company to the Stock Exchange.

### CHANGES IN DIRECTORS’ INFORMATION

Changes in the information of Directors since the disclosure made in the interim report of the Company for the six months ended 30 June 2015, that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. WONG Hon Shing, Daniel has been appointed as the Chairman of the Risk Committee of the Company with effect from 1 January 2016.

### RETIREMENT SCHEME

Details of the Group’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 2015 are set out in note 30 to the financial statements.

### BANK LOAN

An analysis of bank loan of the Group as at 31 December 2015 is set out in note 23 to the financial statements. Apart from the aforesaid, the Group had no other borrowings as at 31 December 2015.

## Report of the Directors

### EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed and determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the Non-Executive Directors and Independent Non-Executive Directors are reviewed by the Remuneration Committee and determined by the Board. No Director or any of his or her associates was involved in deciding his or her own remuneration. The Company has a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in the section headed "SHARE OPTION SCHEME".

### DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors had an interest in any business constituting 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 total number of issued shares of the Company as required under the Listing Rules.

### AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2015 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer itself for re-appointment as auditor at the AGM. A resolution will be proposed at the AGM to re-appoint it and to authorise the Board to fix its remuneration.

On behalf of the Board  
**Midland IC&I Limited**

**WONG Hon Shing, Daniel**  
*Chief Executive Officer and Executive Director*

Hong Kong, 21 March 2016

## Management Discussion and Analysis

### FINANCIAL REVIEW

#### Liquidity, Financial Resources and Funding

As at 31 December 2015, the Group had cash and bank balances of HK\$675,291,000 (2014: HK\$640,214,000), whilst bank loan amounted to HK\$8,188,000 (2014: HK\$9,118,000). The Group's bank loan was secured by investment properties held by the Group of HK\$60,200,000 (2014: HK\$59,550,000) and with maturity profile set out as follows:

Repayable	2015 HK\$'000	2014 HK\$'000
Within 1 year	946	928
After 1 year but within 2 years	964	945
After 2 years but within 5 years	3,004	2,947
Over 5 years	3,274	4,298
	<b>8,188</b>	<b>9,118</b>

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

As at 31 December 2015, the Group had unutilised borrowing facilities amounting to HK\$15,000,000 (2014: HK\$15,000,000) from a bank. 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 loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2015, the gearing ratio of the Group was 1.2% (2014: 1.3%). The gearing ratio is calculated on the basis of the Group's total bank loan 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 (2014: 3.6). The return on equity of the Group, which is the ratio of profit for the year over total equity of the Group, to measure the efficiency of managing equity, was 0.3% (2014: 5.6%).

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 denominated in Hong Kong dollars. The Directors considered that the foreign exchange exposure of the Group is minimal.

#### Contingent Liabilities

As at 31 December 2015, the Company executed corporate guarantees amounting to HK\$29,780,000 (2014: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2015, HK\$8,188,000 of the banking facilities were utilised by a subsidiary (2014: HK\$9,118,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic benefits is probable.

#### Employee Information

As at 31 December 2015, the Group employed 738 full-time employees (2014: 754).

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 profits and share options 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. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.



羅兵咸永道

## TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 74, which comprise the consolidated balance sheets as at 31 December 2015, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 21 March 2016

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenues	6(a)	470,143	547,678
Other income	7	2,359	7,650
Staff costs	8	(251,004)	(280,464)
Rebate incentives		(90,892)	(128,927)
Advertising and promotion expenses		(21,148)	(14,538)
Operating lease charges in respect of office and shop premises		(37,593)	(34,031)
Impairment of receivables		(26,012)	(12,990)
Depreciation expenses		(4,445)	(6,984)
Other operating costs		(37,125)	(34,213)
Operating profit	10	4,283	43,181
Finance income	11	1,953	2,474
Finance costs	11	(164)	(179)
Profit before taxation		6,072	45,476
Taxation	12	(3,701)	(5,815)
Profit and total comprehensive income for the year attributable to equity holders		2,371	39,661
		HK cents	HK cents
Earnings per share	14		
Basic		0.017	0.289
Diluted		0.017	0.289

## Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	15	7,169	5,835
Investment properties	16	60,200	59,550
Deferred taxation assets	17	1,934	3,760
		69,303	69,145
<b>Current assets</b>			
Trade and other receivables	18	146,200	241,929
Tax recoverable		1,876	521
Cash and bank balances	19	675,291	640,214
		823,367	882,664
<b>Total assets</b>		<b>892,670</b>	<b>951,809</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	20	137,050	137,000
Share premium	20	549,433	549,168
Reserves	21	24,318	20,826
<b>Total equity</b>		<b>710,801</b>	<b>706,994</b>

## Consolidated Balance Sheet

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Non-current liabilities</b>			
Deferred taxation liabilities	17	540	466
<b>Current liabilities</b>			
Trade and other payables	22	173,141	231,367
Bank loan	23	8,188	9,118
Taxation payable		–	3,864
		181,329	244,349
<b>Total liabilities</b>		181,869	244,815
<b>Total equity and liabilities</b>		892,670	951,809

The financial statements on pages 35 to 74 were approved by the Board of Directors on 21 March 2016 and were signed on its behalf.

**WONG Ching Yi, Angela**  
Director

**WONG Hon Shing, Daniel**  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 21)	Total equity HK\$'000
At 1 January 2015	137,000	549,168	20,826	706,994
Total comprehensive income				
Profit for the year	–	–	2,371	2,371
Transaction with owners				
Employee share options scheme				
– value of employee services	–	–	1,216	1,216
– issue of shares upon exercise of share options	50	265	(95)	220
At 31 December 2015	137,050	549,433	24,318	710,801
At 1 January 2014	137,000	549,168	(19,714)	666,454
Total comprehensive income				
Profit for the year	–	–	39,661	39,661
Transaction with owners				
Employee share options scheme				
– value of employee services	–	–	879	879
At 31 December 2014	137,000	549,168	20,826	706,994

## Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	24	46,797	72,529
Hong Kong profits tax paid		(7,020)	(5,230)
Interest paid		(164)	(179)
Net cash from operating activities		39,613	67,120
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(5,779)	(688)
Bank interest received		1,953	2,474
Net cash (used in)/from investing activities		(3,826)	1,786
<b>Cash flows from financing activities</b>			
Repayment of bank loan		(930)	(912)
Proceeds from issuance of ordinary shares		220	-
Net cash used in financing activities		(710)	(912)
Net increase in cash and cash equivalents		35,077	67,994
Cash and cash equivalents at 1 January		640,214	572,220
Cash and cash equivalents at 31 December	19	675,291	640,214

## Notes to the Financial Statements

## 1 GENERAL INFORMATION

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 head office and principal place of business in Hong Kong is Room 1801A, 18th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong.

The principal activities of 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 consolidated financial statements have been approved by the board of directors (the "Board") on 21 March 2016.

## 2 BASIS OF PREPARATION

(a) The consolidated 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair values.

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

## (b) Amendments effective in 2015

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The adoption of the above amendments to existing standards did not have significant effect on the financial information or result in any significant changes in the Group's significant accounting policies, except for certain changes in presentation and disclosures.

## (c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## (d) 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 2015 and have not been early adopted by the Group.

*Effective for the year ending 31 December 2016*

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

*Effective for the year ending 31 December 2018*

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The Group is assessing the impact of these new standards and amendments to standards. The adoption of these new standards and amendments to standards will not result in a significant impact on the results and financial position of the Group.

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

##### (i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method 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.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated comprehensive statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

##### (ii) Separate financial statements

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.

## Notes to the Financial Statements

## 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 dollars, 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 profit or loss.

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 the profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences 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 other comprehensive income.

*(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 in other comprehensive income.

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 profit or loss 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.

## Notes to the Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (d) Property and equipment

Property 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 consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation 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 improvements	Over the period of lease
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 costs, in the consolidated 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, representing estimated open market value determined at each reporting date by qualified valuers. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair values are recognised in the consolidated statement of comprehensive income as part of other income or other operating costs.

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 consolidated statement of comprehensive income during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property 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 and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the consolidated statement of comprehensive income.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) 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.

#### (g) Financial assets

The Group classifies its financial assets as 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.

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" and "cash and bank balances" in the balance sheet.

#### *Recognition and measurement*

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 consolidated 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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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.

#### (h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### (i) Impairment of financial assets

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 consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

## Notes to the Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (j) 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 consolidated 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 consolidated statement of comprehensive income.

## (k) Cash and cash equivalents

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

## (l) Share capital

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.

## (m) 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. Trade 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.

## (n) 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 consolidated 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.

## Notes to the Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (o) Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## (p) 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 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 substantively 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.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets against current taxation liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## (q) Employee benefits

*(i) Employee leave entitlements*

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

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

*(ii) Retirement scheme obligations*

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

## Notes to the Financial Statements

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

## (q) Employee benefits (Continued)

## (iii) Share-based payment

- *Equity-settled share-based payment transactions*

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

- *Share-based payment transactions among Group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

## (r) 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.

## Notes to the Financial Statements

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) 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 the transacting parties first come into an agreement.

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

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

#### (t) 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 consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

#### (u) Dividend distribution

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

#### (v) Contingent liabilities

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

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

### 4 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

The Group's activities expose it to credit risk, cash flow 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. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable by taking into account of the market conditions, customers' profiles and completion terms 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.

The Company has no significant exposure to credit risk because the Company's assets are mainly relating to balances with subsidiaries.

## Notes to the Financial Statements

## 4 FINANCIAL RISK MANAGEMENT (Continued)

## (a) Financial risk factors (Continued)

*(ii) Cash flow and fair value interest rate risk*

The Group has no significant interest bearing assets other than bank deposits and bank borrowings at variable rates.

At the balance sheet date, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's profit before taxation would have been approximately HK\$1,445,000 (2014: HK\$1,384,000) higher/lower for the year ended 31 December 2015.

*(iii) Liquidity risk*

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

The following tables show the remaining contractual maturity at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within 12 months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand HK\$'000	Less than 1 year HK\$'000
At 31 December 2015		
Trade and other payables	-	173,141
Bank loan	8,832	-
	<u>8,832</u>	<u>173,141</u>
At 31 December 2014		
Trade and other payables	-	231,367
Bank loan	9,929	-
	<u>9,929</u>	<u>231,367</u>

## (b) Capital risk management

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

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 divided by total equity.

## Notes to the Financial Statements

## 4 FINANCIAL RISK MANAGEMENT (Continued)

## (b) Capital risk management (Continued)

The total debt to equity ratios at 31 December 2015 and 2014 were as follows:

	2015 HK\$'000	2014 HK\$'000
Bank loan	8,188	9,118
Total equity	710,801	706,994
Total debt to equity ratio	1.2%	1.3%

## (c) Fair value estimation

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

The fair value estimation of investment properties is disclosed in note 16.

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

## (a) 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 conditions, customers' profiles, completion terms and other relevant factors. Revenues from these transactions whose economic benefits are not probable to flow into Group would not be recognised in the consolidated statement of comprehensive income until relevant transactions are completed or until the uncertainty is removed.

## (b) 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.

## Notes to the Financial Statements

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

## (c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 16.

## (d) Income taxes

Deferred taxation assets relating to certain temporary differences and tax losses are recognised to the extent that management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

## 6 REVENUES AND SEGMENT INFORMATION

## (a) Revenues

	2015 HK\$'000	2014 HK\$'000
Agency fee	467,190	545,539
Other revenues		
Rental income from fellow subsidiaries	2,154	2,046
Rental income from third parties	799	93
<b>Total revenues</b>	<b>470,143</b>	<b>547,678</b>

## (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.

## Notes to the Financial Statements

## 6 REVENUES AND SEGMENT INFORMATION (Continued)

## (b) Segment information (Continued)

	Year ended 31 December 2015			
	Property agency			
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Total HK\$'000
Total revenues	195,290	104,250	189,696	489,236
Inter-segment revenues	(11,415)	(5,666)	(4,965)	(22,046)
Revenues from external customers	183,875	98,584	184,731	467,190
Segment results	33,603	4,798	(8,048)	30,353
(Reversal of impairment)/ impairment of receivables	(2,029)	(983)	29,024	26,012
Depreciation expenses	1,364	1,109	1,770	4,243
Additions to non-current assets	439	1,762	3,552	5,753

	Year ended 31 December 2014				
	Property agency				
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	Others HK\$'000	Total HK\$'000
Total revenues	209,381	80,472	279,330	–	569,183
Inter-segment revenues	(11,422)	(3,841)	(8,381)	–	(23,644)
Revenues from external customers	197,959	76,631	270,949	–	545,539
Segment results	18,025	5,263	42,526	(3)	65,811
Impairment of receivables	2,186	1,739	9,065	–	12,990
Depreciation expenses	2,414	2,202	2,118	–	6,734
Additions to non-current assets	294	28	255	–	577

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Service fee income from fellow subsidiaries, corporate expenses, 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.

## Notes to the Financial Statements

## 6 REVENUES AND SEGMENT INFORMATION (Continued)

## (b) Segment information (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Revenues from external customers for reportable segments	467,190	545,539
Rental income from fellow subsidiaries	2,154	2,046
Rental income from third parties	799	93
Total revenues per consolidated statement of comprehensive income	470,143	547,678

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

	2015 HK\$'000	2014 HK\$'000
Segment results for reportable segments	30,353	65,811
Service fee income from fellow subsidiaries (note 28(a))	711	5,264
Corporate expenses	(27,431)	(30,044)
Fair value gain on investment properties	650	2,150
Finance income	1,953	2,474
Finance costs	(164)	(179)
Profit before taxation per consolidated statement of comprehensive income	6,072	45,476

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. The following is total segment assets and liabilities by reportable segment:

As at 31 December 2015

	Property agency			Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	
Segment assets	53,688	32,029	68,001	153,718
Segment liabilities	69,348	30,225	57,107	156,680

## Notes to the Financial Statements

## 6 REVENUES AND SEGMENT INFORMATION (Continued)

## (b) Segment information (Continued)

As at 31 December 2014	Property agency			Total HK\$'000
	Commercial properties HK\$'000	Industrial properties HK\$'000	Shops HK\$'000	
Segment assets	103,448	28,866	112,309	244,623
Segment liabilities	94,489	26,077	95,773	216,339

Reportable segment assets are reconciled to total assets as follows:

	2015 HK\$'000	2014 HK\$'000
Segment assets	153,718	244,623
Corporate assets	737,018	703,426
Deferred taxation assets	1,934	3,760
<b>Total assets per consolidated balance sheet</b>	<b>892,670</b>	<b>951,809</b>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2015 HK\$'000	2014 HK\$'000
Segment liabilities	156,680	216,339
Corporate liabilities	24,649	28,010
Deferred taxation liabilities	540	466
<b>Total liabilities per consolidated balance sheet</b>	<b>181,869</b>	<b>244,815</b>

## 7 OTHER INCOME

	2015 HK\$'000	2014 HK\$'000
Fair value gain on investment properties (note 16)	650	2,150
Service fee income from fellow subsidiaries (note 28(a))	711	5,264
Others	998	236
<b>Total</b>	<b>2,359</b>	<b>7,650</b>

## Notes to the Financial Statements

## 8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	106,368	106,648
Commissions	135,663	165,986
Pension costs for defined contribution plans	7,757	6,951
Share-based benefits	1,216	879
	251,004	280,464

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 consolidated statement of comprehensive income represents contributions paid and payable by the Group to the fund.

## 9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

## (a) Benefit and interest of directors

The remuneration of each director for the year ended 31 December 2015 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Performance incentive HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Ms. WONG Ching Yi, Angela	30	-	-	-	30
Mr. WONG Hon Shing, Daniel	-	1,110	998	18	2,126
	30	1,110	998	18	2,156
<i>Non-executive Directors</i>					
Ms. TANG Mei Lai, Metty	120	-	-	-	120
Mr. TSANG Link Carl, Brian	120	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-
	240	-	-	-	240
<i>Independent Non-executive Directors</i>					
Mr. SHA Pau, Eric	120	-	-	-	120
Mr. YING Wing Cheung, William	120	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	120
	360	-	-	-	360
	630	1,110	998	18	2,756

## Notes to the Financial Statements

## 9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

## (a) Benefit and interest of directors (Continued)

The remuneration of each director for the year ended 31 December 2014 is set out below:

Name of director	Fees HK\$'000	Salaries and allowances HK\$'000	Performance incentives HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<i>Executive Directors</i>					
Ms. WONG Ching Yi, Angela	30	-	-	2	32
Mr. WONG Hon Shing, Daniel	-	1,441	1,867	17	3,325
	30	1,441	1,867	19	3,357
<i>Non-executive Directors</i>					
Ms. TANG Mei Lai, Metty (note)	7	2,875	-	17	2,899
Mr. TSANG Link Carl, Brian	120	-	-	-	120
Mr. CHU Kuo Fai, Gordon (alternate director to Mr. TSANG Link Carl, Brian)	-	-	-	-	-
	127	2,875	-	17	3,019
<i>Independent Non-executive Directors</i>					
Mr. SHA Pau, Eric	120	-	-	-	120
Mr. YING Wing Cheung, William	120	-	-	-	120
Mr. HO Kwan Tat, Ted	120	-	-	-	120
	360	-	-	-	360
	517	4,316	1,867	36	6,736

Note: Ms. TANG Mei Lai, Metty was re-designated from an executive director to a non-executive director on 11 December 2014. The emoluments from 1 January 2014 up to the date of re-designation were HK\$2,892,000.

In addition to the directors' emoluments disclosed above, the estimated value of share options granted to Mr. WONG Hon Shing, Daniel amounted to HK\$140,000 (2014: HK\$101,000). Including the estimated value of share options granted, total remuneration of Mr. WONG Hon Shing, Daniel for the year ended 31 December 2015 amounted to HK\$2,266,000 (2014: HK\$3,426,000). The director's fee in the sum of HK\$120,000 (2014: HK\$7,000) received by Ms. TANG Mei Lai, Metty was paid back to Midland Holdings Limited, ultimate holding company of the Company.

(i) *Directors' retirement benefits and termination benefits*

None of the directors received any retirement benefits or termination benefits during the year (2014: Nil).

(ii) *Consideration provided to third parties for making available directors' services*

During the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services (2014: Nil).

## Notes to the Financial Statements

## 9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

## (a) Benefit and interest of directors (Continued)

(iii) *Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by such directors and entities connected with such directors*

As at 31 December 2015, there were no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by such directors and entities connected with such directors (2014: Nil).

(iv) *Directors' material interests in transactions, arrangements or contracts*

Saved as disclosed in note 28(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## (b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include one (2014: two) director whose emoluments are reflected in the analysis shown in note 9(a). The emoluments payable to the remaining four (2014: three) individuals during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	2,165	1,815
Discretionary bonuses	110	53
Retirement benefit costs	71	50
	<b>2,346</b>	<b>1,918</b>

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK\$0 – HK\$1,000,000	4	3

## 10 OPERATING PROFIT

Operating profit is arrived at after charging:

	2015 HK\$'000	2014 HK\$'000
Loss on disposal of property and equipment	–	46
Direct operating expenses arising from investment properties that generated rental income	18	21
Auditor's remuneration		
– Audit services	806	781
– Non-audit services	343	343

## Notes to the Financial Statements

## 11 FINANCE INCOME AND COSTS

	2015 HK\$'000	2014 HK\$'000
Finance income		
Bank interest income	1,953	2,474
Finance costs		
Interest on borrowings	(164)	(179)
Finance income, net	1,789	2,295

## 12 TAXATION

	2015 HK\$'000	2014 HK\$'000
Current		
Hong Kong profits tax	1,801	7,518
Deferred (note 17)	1,900	(1,703)
	3,701	5,815

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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:

	2015 HK\$'000	2014 HK\$'000
Profit before taxation	6,072	45,476
Calculated at a taxation rate of 16.5% (2014: 16.5%)	1,002	7,504
Income not subject to taxation	(429)	(763)
Expenses not deductible for taxation purposes	229	145
Utilisation of unrecognised tax losses	(92)	(2,256)
Tax losses not recognised	2,856	1,125
Others	135	60
Taxation charge	3,701	5,815

## 13 DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

## Notes to the Financial Statements

## 14 EARNINGS PER SHARE

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

	2015 HK\$'000	2014 HK\$'000
Profit attributable to equity holders	2,371	39,661
Number of shares for calculation of basic earnings per share (thousands)	13,702,356	13,700,000
Effect on conversion of share options (thousands)	9,784	-
Number of shares for calculation of diluted earnings per share (thousands)	13,712,140	13,700,000
Basic earnings per share (HK cents)	0.017	0.289
Diluted earnings per share (HK cents)	0.017	0.289

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

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 market 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 2014 did not assume the exercise of share options since the exercise of share options would have an anti-dilutive effect.

## Notes to the Financial Statements

## 15 PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Total HK\$'000
At 1 January 2015				
Cost	12,333	2,328	18,946	33,607
Accumulated depreciation	(11,514)	(1,739)	(14,519)	(27,772)
Net book amount	819	589	4,427	5,835
Year ended 31 December 2015				
Opening net book amount	819	589	4,427	5,835
Additions	3,511	204	2,064	5,779
Depreciation expenses	(1,625)	(318)	(2,502)	(4,445)
Closing net book amount	2,705	475	3,989	7,169
At 31 December 2015				
Cost	14,026	2,403	20,007	36,436
Accumulated depreciation	(11,321)	(1,928)	(16,018)	(29,267)
Net book amount	2,705	475	3,989	7,169
At 1 January 2014				
Cost	12,744	2,341	18,404	33,489
Accumulated depreciation	(7,633)	(1,432)	(12,247)	(21,312)
Net book amount	5,111	909	6,157	12,177
Year ended 31 December 2014				
Opening net book amount	5,111	909	6,157	12,177
Additions	38	12	638	688
Disposals	(16)	(5)	(25)	(46)
Depreciation expenses	(4,314)	(327)	(2,343)	(6,984)
Closing net book amount	819	589	4,427	5,835
At 31 December 2014				
Cost	12,333	2,328	18,946	33,607
Accumulated depreciation	(11,514)	(1,739)	(14,519)	(27,772)
Net book amount	819	589	4,427	5,835

## Notes to the Financial Statements

## 16 INVESTMENT PROPERTIES

	2015 HK\$'000	2014 HK\$'000
Opening net book amount	59,550	57,400
Change in fair value to the consolidated statement of comprehensive income (note 7)	650	2,150
Closing net book amount	60,200	59,550

The fair value gain on investment properties is included in "Other income" in the consolidated statement of comprehensive income (note 7).

As at 31 December 2015, valuations were undertaken by Midland Surveyors Limited, a qualified professional valuer with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer.

Information about fair value measurements using significant unobservable inputs for the investment properties in Hong Kong:

Valuation method	Range of significant unobservable inputs	
	Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK\$26 per square foot (saleable) (2014: HK\$23 per square foot (saleable))	4.0% (2014: 3.6%)

Prevailing market rents are estimated based on qualified valuers' view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by qualified valuers based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

There were no changes to valuation techniques during the year.

Investment properties are pledged as security for the Group's bank loan (note 23).

## Notes to the Financial Statements

## 17 DEFERRED TAXATION

	2015 HK\$'000	2014 HK\$'000
Deferred taxation assets	1,934	3,760
Deferred taxation liabilities	(540)	(466)
	1,394	3,294

The net movements on the deferred taxation are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	3,294	1,591
Recognised in the consolidated statement of comprehensive income (note 12)	(1,900)	1,703
At 31 December	1,394	3,294

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

	Tax losses		Decelerated tax depreciation		Provision		Total	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
At 1 January	-	-	652	193	3,108	2,089	3,760	2,282
Recognised in the consolidated statement of comprehensive income	935	-	(333)	459	(2,341)	1,019	(1,739)	1,478
At 31 December	935	-	319	652	767	3,108	2,021	3,760

## Deferred taxation liabilities

	Accelerated tax depreciation	
	2015 HK\$'000	2014 HK\$'000
At 1 January	(466)	(691)
Recognised in the consolidated statement of comprehensive income	(161)	225
At 31 December	(627)	(466)

## Notes to the Financial Statements

## 17 DEFERRED TAXATION (Continued)

Deferred taxation assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred taxation assets of HK\$5,739,000 (2014: HK\$2,762,000) in respect of losses amounting to HK\$34,782,000 (2014: HK\$16,741,000) as at 31 December 2015. These tax losses can be carried forward against future taxable income indefinitely.

In addition, the Company did not recognise deferred taxation assets of HK\$135,000 and HK\$403,000 in respect of decelerated tax depreciation and provision respectively.

The analysis of deferred taxation assets and deferred taxation liabilities is as follows:

	2015 HK\$'000	2014 HK\$'000
Deferred taxation assets		
– Recoverable after more than twelve months	1,934	3,760
Deferred taxation liabilities		
– Payable or settle after more than twelve months	(540)	(466)

## 18 TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	156,980	267,773
Less: provision for impairment	(31,481)	(44,560)
Trade receivables, net	125,499	223,213
Other receivables, prepayments and deposits	20,701	18,716
	146,200	241,929

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:

	2015 HK\$'000	2014 HK\$'000
Not yet due	114,038	214,306
Less than 30 days	4,379	3,560
31 to 60 days	1,451	4,133
61 to 90 days	3,936	950
91 to 180 days	928	171
Over 180 days	767	93
	125,499	223,213

## Notes to the Financial Statements

## 18 TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables of HK\$11,461,000 (2014: HK\$8,907,000) are past due but not impaired. Such receivables are past due less than six months or subsequently received after the year end.

As at 31 December 2015, provision for impairment for trade receivables of HK\$31,481,000 (2014: HK\$44,560,000) was made after taking into account the ageing of the trade receivables, the default history of customers or other specific reasons.

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

	2015 HK\$'000	2014 HK\$'000
At 1 January	44,560	45,473
Provision for impairment	26,012	12,990
Write-off of uncollectible debts	(39,091)	(13,903)
At 31 December	31,481	44,560

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

The Group's trade and other receivables are denominated in Hong Kong dollars.

## 19 CASH AND BANK BALANCES

	2015 HK\$'000	2014 HK\$'000
Cash at banks and on hand	89,364	78,015
Short term bank deposits	585,927	562,199
	675,291	640,214

## 20 SHARE CAPITAL AND PREMIUM

## (a) Share capital and premium

	Number of issued shares (HK\$0.01 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2015	13,700,000,000	137,000	549,168	686,168
Issue of shares upon exercise of share options	5,000,000	50	265	315
At 31 December 2015	13,705,000,000	137,050	549,433	686,483
At 1 January 2014 and 31 December 2014	13,700,000,000	137,000	549,168	686,168

## Notes to the Financial Statements

## 20 SHARE CAPITAL AND PREMIUM (Continued)

## (a) Share capital and premium (Continued)

The total authorised number of ordinary shares is 50 billion shares (2014: 50 billion shares) with a nominal value of HK\$0.01 per share (2014: HK\$0.01 per share). All issued shares are fully paid.

In June 2015, share options were exercised to subscribe for 5,000,000 ordinary shares in the Company. In July 2015, the abovesaid shares were issued and allotted at aggregate consideration of approximately HK\$220,000 of which HK\$50,000 was credited to share capital and the balance of HK\$170,000 was credited to the share premium account. HK\$95,000 has been transferred from employee benefits reserve to the share premium account.

## (b) Share options

On 19 September 2008, the Company adopted a share option scheme (the "Scheme") by shareholders at 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 (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 date, 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 closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the offer date, 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.

## (i) Terms of unexpired and unexercised share option at balance sheet date

Share options outstanding at the end of the year have the following exercisable period and exercise prices:

Exercisable period	Exercise price per option HK\$	Number of options	
		2015	2014
1 October 2011 to 30 September 2016	0.053	20,000,000	20,000,000
15 December 2014 to 14 December 2019	0.044	38,330,000	43,330,000
15 December 2015 to 14 December 2019	0.044	43,330,000	43,330,000
15 December 2016 to 14 December 2019	0.044	43,340,000	43,340,000
		145,000,000	150,000,000

The vesting period of these options ends when they become exercisable.

## Notes to the Financial Statements

## 20 SHARE CAPITAL AND PREMIUM (Continued)

## (b) Share options (Continued)

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

	2015		2014	
	Weighted average exercise price per option HK\$	Number of options	Weighted average exercise price per option HK\$	Number of options
At beginning of the year	0.045	150,000,000	0.053	20,000,000
Granted	–	–	0.044	130,000,000
Exercised	0.044	(5,000,000)	–	–
At end of the year	0.045	145,000,000	0.045	150,000,000

(iii) *Fair value of share options and assumptions*

The fair value of options granted during 2014 determined using the Trinomial valuation model was HK\$0.0191 or HK\$0.0195 per option. The significant inputs into the model were closing share price of HK\$0.043 at the grant date, exercise price shown above, volatility of 54.47%, expected dividend yield of 0%, an expected option life of three to five years, and an annual risk-free interest rate of 1.3%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the five years before grant date.

Out of the 145,000,000 outstanding options (2014: 150,000,000), 101,660,000 options (2014: 63,330,000) were exercisable as at 31 December 2015.

The options outstanding as at 31 December 2015 had an exercise price of HK\$0.044 or HK\$0.053 (2014: HK\$0.044 or HK\$0.053) and a weighted average remaining contractual life of 3.23 years (2014: 3.69 years).

During the year, 5,000,000 share options were exercised and resulted in 5,000,000 ordinary shares being issued at HK\$0.044 each. The closing price of the share of the Company at the date of exercise was HK\$0.07 per share.

The Group recognised a total expense of HK\$1,216,000 for the year ended 31 December 2015 (2014: HK\$879,000) in relation to share options granted under the Scheme.

## Notes to the Financial Statements

## 21 RESERVES

	Merger reserve HK\$'000 (note (a))	Capital reserve HK\$'000 (note (b))	Employee benefits reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	(559,073)	14,918	1,441	563,540	20,826
Profit for the year	-	-	-	2,371	2,371
Employee share options scheme					
- value of employee services	-	-	1,216	-	1,216
- issue of shares upon exercise of share options	-	-	(95)	-	(95)
At 31 December 2015	(559,073)	14,918	2,562	565,911	24,318
At 1 January 2014	(559,073)	14,918	562	523,879	(19,714)
Profit for the year	-	-	-	39,661	39,661
Employee share options scheme					
- value of employee services	-	-	879	-	879
At 31 December 2014	(559,073)	14,918	1,441	563,540	20,826

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, totaling 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.

## 22 TRADE AND OTHER PAYABLES

	2015 HK\$'000	2014 HK\$'000
Commissions payable	141,398	196,823
Other payable and accruals	31,743	34,544
	173,141	231,367

Commissions payable to property consultants, co-operative estate agents and clients are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK\$27,547,000 (2014: HK\$32,268,000) which are due for payment within 30 days, and all the remaining commissions payable are not yet due.

## Notes to the Financial Statements

## 23 BANK LOAN

The Group's bank loan is repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	946	928
After 1 year but within 2 years	964	945
After 2 years but within 5 years	3,004	2,947
Over 5 years	3,274	4,298
	<b>8,188</b>	<b>9,118</b>

The bank loan contains a repayment on demand clause and classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loan is denominated in Hong Kong dollars.

The bank loan is secured by investment properties held by the Group (note 16) and corporate guarantee given by the Company.

The effective interest rate of bank loan is 1.87% (2014: 1.89%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Bank loan	8,188	9,118	8,188	9,118

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 1.87% (2014: 1.89%).

The Group has the following undrawn borrowing facilities:

	2015 HK\$'000	2014 HK\$'000
Floating rates Expiring within one year	15,000	15,500

## Notes to the Financial Statements

## 24 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash generated from operations

	2015 HK\$'000	2014 HK\$'000
Operating profit	4,283	43,181
Impairment of receivables	26,012	12,990
Depreciation expenses	4,445	6,984
Fair value gain on investment properties	(650)	(2,150)
Loss on disposal of property and equipment	–	46
Share-based benefits	1,216	879
Operating profit before working capital changes	35,306	61,930
Change in trade and other receivables	69,717	(68,980)
Change in trade and other payables	(58,226)	79,579
Net cash generated from operations	46,797	72,529

## 25 CONTINGENT LIABILITIES

As at 31 December 2015, the Company executed corporate guarantees amounting to HK\$29,780,000 (2014: HK\$29,780,000) as the securities for general banking facilities and bank loan granted to certain wholly-owned subsidiaries. As at 31 December 2015, HK\$8,188,000 of the banking facilities were utilised by a subsidiary (2014: HK\$9,118,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic benefits is probable.

## 26 FUTURE LEASE RENTAL RECEIVABLE

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

	2015 HK\$'000	2014 HK\$'000
Within one year	500	2,107
Between one year and five years	8	452
	508	2,559

## Notes to the Financial Statements

## 27 COMMITMENTS

## (a) Capital commitments

The Group did not have any significant capital commitments as at 31 December 2015 and 2014.

## (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:

	2015 HK\$'000	2014 HK\$'000
Within one year	35,668	22,313
After one year but within five years	15,486	9,437
	51,154	31,750

## 28 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	2015 HK\$'000	2014 HK\$'000
Agency fee income from fellow subsidiaries	(i)	26,416	27,314
Rental income in respect of office premise from fellow subsidiaries	(ii)	2,154	2,046
Service fee income from fellow subsidiaries	(iii)	711	5,264
Rebate incentives to fellow subsidiaries	(iv)	(74,628)	(87,657)
Operating lease rental expense to related companies	(v)	(3,184)	(2,855)

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) The Group entered into lease agreements with fellow subsidiaries on terms mutually agreed by both parties.
- (iii) Service fee income from fellow subsidiaries represents service fee for assistance provided by the Group in procuring the issuance of cashier's orders to prospective purchasers of primary residential property referred by the fellow subsidiaries which is charged on terms mutually agreed by both parties.

## Notes to the Financial Statements

## 28 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

## (a) Transactions with related parties (Continued)

Notes: (Continued)

- (iv) Rebate incentives to fellow subsidiaries represents commission for property agency transactions referred by fellow subsidiaries on terms mutually agreed by both parties.
- (v) The Group entered into certain operating lease agreements with certain related companies, of which the beneficial owner, Mr. WONG Kin Yip, Freddie, is a father and spouse of directors of the Company, namely Ms. WONG Ching Yi, Angela and Ms. TANG Mei Lai, Metty, on terms mutually agreed by both parties. Mr. Wong is also the director of the ultimate holding company of the Group.

In addition to the above, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK\$11,937,000 (2014: HK\$13,010,000) with its fellow subsidiaries during the year.

- (b) The balances with related parties included in trade receivables and trade and other payables are as follows:

	2015 HK\$'000	2014 HK\$'000
Amounts due from fellow subsidiaries	18,107	27,654
Amounts due to fellow subsidiaries	(39,201)	(54,907)

- (c) Key management compensation

	2015 HK\$'000	2014 HK\$'000
Fees, salaries, allowances and incentives	2,138	6,213
Retirement benefit costs	18	36
Share-based benefits	140	101
	2,296	6,350

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

## Notes to the Financial Statements

## 29 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

		As at 31 December	
	Note	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		640,000	640,000
Deferred taxation assets		315	-
		640,315	640,000
<b>Current assets</b>			
Amounts due from subsidiaries		570,131	619,197
Other receivables, prepayments and deposits		1,214	1,135
Bank balances		243	87
		571,588	620,419
<b>Total assets</b>		<b>1,211,903</b>	<b>1,260,419</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		137,050	137,000
Share premium		549,433	549,168
Reserves	(a)	523,149	522,556
<b>Total equity</b>		<b>1,209,632</b>	<b>1,208,724</b>
<b>Current liabilities</b>			
Amounts due to subsidiaries		-	49,135
Other payables and accruals		2,271	2,560
<b>Total liabilities</b>		<b>2,271</b>	<b>51,695</b>
<b>Total equity and liabilities</b>		<b>1,211,903</b>	<b>1,260,419</b>

The balance sheet of the Company was approved by the Board of Directors on 21 March 2016 and was signed on its behalf.

**WONG Ching Yi, Angela**  
Director

**WONG Hon Shing, Daniel**  
Director

## Notes to the Financial Statements

## 29 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Contributed surplus HK\$'000	Employee benefits reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2015	2,509	1,441	518,606	522,556
Loss for the year	-	-	(528)	(528)
Employee share options scheme				
– value of employee services	-	1,216	-	1,216
– issue of shares upon exercise of share options	-	(95)	-	(95)
At 31 December 2015	2,509	2,562	518,078	523,149
At 1 January 2014	2,509	562	520,349	523,420
Loss for the year	-	-	(1,743)	(1,743)
Employee share options scheme				
– value of employee services	-	879	-	879
At 31 December 2014	2,509	1,441	518,606	522,556

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.

## Notes to the Financial Statements

## 30 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/ registered and paid up capital	Principal activities and place of operation	Interest held (%)	
				2015	2014
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US\$1 each	Investment holding in Hong Kong	100	100
Midland IC&I Surveyors Limited	Hong Kong	1 share	Provision of surveying services in Hong Kong	100	100
Midland IC&I Treasury Services Limited	Hong Kong	1 share	Provision of treasury services to the group companies in Hong Kong	100	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Comm. & Ind. II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	N/A
Midland Realty (Comm. & Ind. III) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	N/A
Midland Realty (Shops II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	N/A
Hong Kong Property (I&O) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Hong Kong Property (Comm.) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares	Property agency in Hong Kong	100	100
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100	100
Gainwell Group Limited (note)	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100	100
Leader Concord Limited	Hong Kong	2 shares	Provision of management services in Hong Kong	100	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

	Year ended 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000 (Restated)
<b>For the year</b>					
Revenue	470,143	547,678	562,505	814,368	457,104
Profit before taxation	6,072	45,476	32,659	206,866	108,065
Profit attributable to equity holders of the Company	2,371	39,661	24,904	175,822	91,343
<b>Cashflows</b>					
Net cash inflow from operating activities	39,613	67,120	94,148	87,500	97,926
<b>At year end</b>					
Total assets	892,670	951,809	831,296	1,018,289	586,931
Total liabilities	181,869	244,815	164,842	376,767	121,213
Total equity	710,801	706,994	666,454	641,522	465,718
Cash and bank balances	675,291	640,214	572,220	488,051	406,813
<b>Per share data</b>					
Earnings per share-basic (HK cents)	0.017	0.289	0.182	1.283	0.669

Note: The figures for 2011 are restated for the adoption of amendment to HKAS12 (Amendment) – Deferred Tax: Recovery of Underlying Assets.

香港九龍旺角彌敦道625及639號雅蘭中心辦公樓一期18樓1801A室  
Room 1801A, 18th Floor, Office Tower One, Grand Plaza,  
625 & 639 Nathan Road, Mongkok, Kowloon, Hong Kong

**[www.midlandici.com.hk](http://www.midlandici.com.hk)**