



**美聯集團**

**MIDLAND HOLDINGS**

Midland Holdings Limited

►Incorporated in Bermuda with limited liability◄

( Stock Code 股份代號 : 1200 )



# 白馬高飛 與時並進

## Moving Up with Time

Annual Report 2011 年報



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



## Contents

Corporate Information	<b>2</b>
Organisation Chart	<b>3</b>
Appendix to Organisation Chart	<b>4</b>
Major Events and Awards for the Year	<b>5</b>
Chairman's Statement	<b>9</b>
Profile of Directors and Management Executives	<b>12</b>
Corporate Governance Report	<b>18</b>
Corporate Social Responsibility Report	<b>24</b>
Report of Directors	<b>30</b>
Management Discussion and Analysis	<b>44</b>
Independent Auditor's Report	<b>45</b>
Financial Statements	<b>46</b>
List of Investment Properties	<b>102</b>
Five-year Financial Summary	<b>104</b>



# Corporate Information

## DIRECTORS

### Executive Directors

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

Ms. TANG Mei Lai, Metty

Ms. WONG Ching Yi, Angela  
*(Deputy Chairman and Deputy  
Managing Director)*

Mr. WONG Kam Hong  
*(Deputy Chairman)*

Mr. CHAN Kwan Hing

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing

### Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

## AUDIT COMMITTEE

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

## REMUNERATION COMMITTEE

Mr. WONG Kin Yip, Freddie

Ms. IP Kit Yee, Kitty

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

## NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie

Ms. IP Kit Yee, Kitty

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

## COMPANY SECRETARY

Mr. MOK Ka Fai

## REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor

World-Wide House

19 Des Voeux Road Central

Hong Kong

## AUDITOR

PricewaterhouseCoopers

*Certified Public Accountants*

22nd Floor

Prince's Building

Central

Hong Kong

## PRINCIPAL BANKERS

Agricultural Bank of China

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

Hong Kong Branch

The Bank of East Asia, Limited

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

The Hongkong and Shanghai Banking

Corporation Limited

Standard Chartered Bank (Hong Kong)

Limited

## HONG KONG LEGAL ADVISERS

lu, Lai & Li

20th Floor, Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

## BERMUDA LEGAL ADVISERS

Conyers Dill & Pearman

Suite 2901, One Exchange Square

8 Connaught Place

Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda)  
Limited

Rosebank Centre, 4th Floor

11 Bermudiana Road

Pembroke HM 08

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Hong Kong

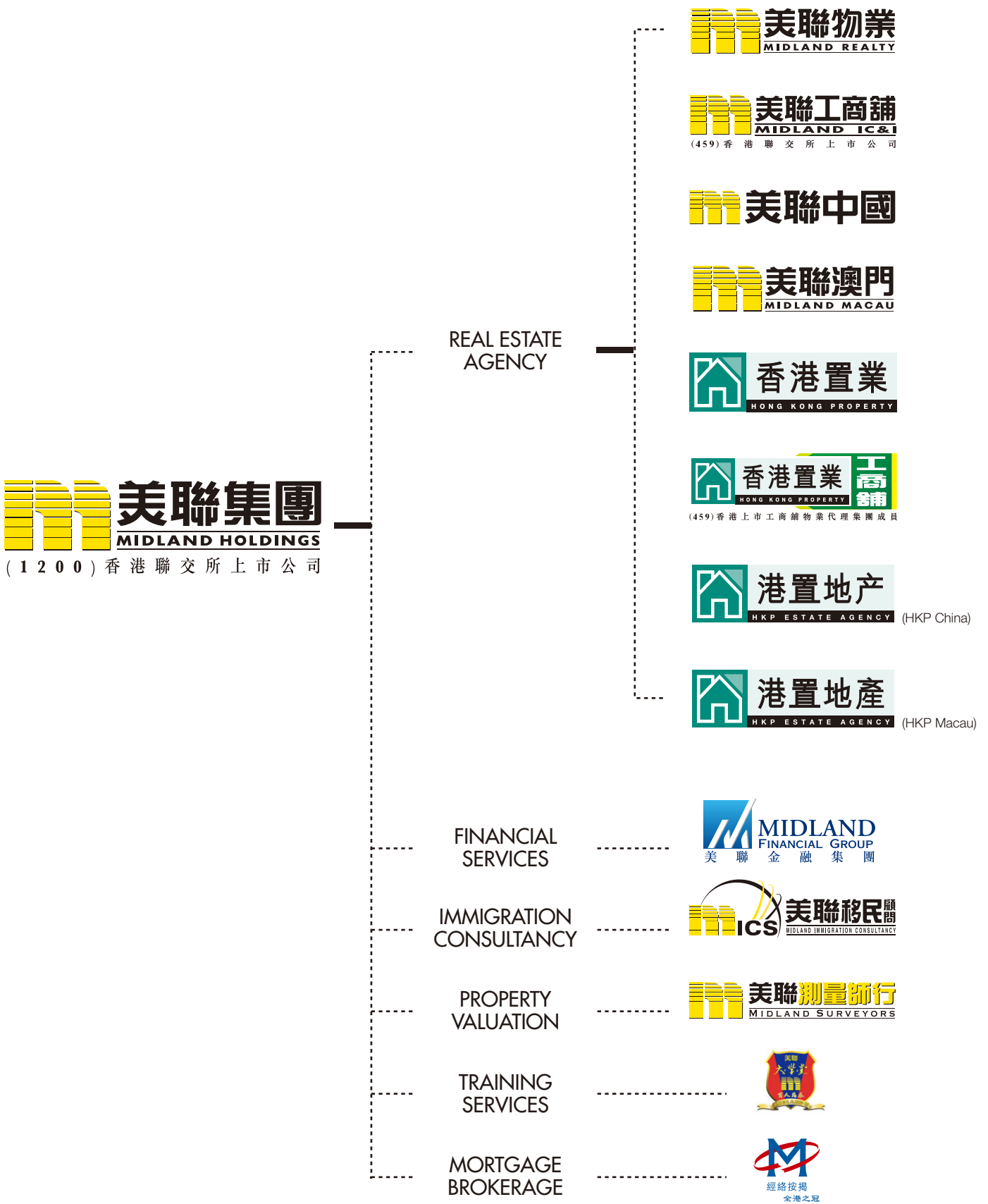
## WEBSITE

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

## STOCK CODE

1200

# Organisation Chart



# Appendix to Organisation Chart



Board of Directors: Front row from left to right: TANG Mei Lai, Metty, WONG Kin Yip, Freddie  
 Back row from left to right: IP Kit Yee, Kitty, WANG Ching Miao, Wilson, KOO Fook Sun, Louis, WONG Ching Yi, Angela, WONG Kam Hong, CHAN Kwan Hing, SUN Tak Chiu, CHEUNG Kam Shing

## Strategic Business Units Business Description

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

# Major Events and Awards for the Year

## Henderson Gold Award

Mr. Freddie Wong Kin-Yip, the Chairman and Managing Director of the Group, guided management to win the Henderson Gold Award (for the seventh consecutive year) and also personal accolade from Mr. Lee Shau-Kee, chairman of Henderson Land.



## Strategic Planning Meetings

The Group regularly holds strategic planning sessions to determine corporate directions and development plans, to discuss future market development, and to assess competitive environment.



## Directors Leadership Summit

At an offshore summit held in Macau, vigorous training programmes designed to strengthen sales directors' leadership and front-line morale and boosted team spirit.



## Forbes Award for Midland IC&I

Riding on past success and opportunities presented by changing times, the Group's listed subsidiary, Midland IC&I Limited (Stock Code: 459) won one award after another from Forbes magazine: "2011 Forbes Asia – Best Under A Billion" and "The Best Return on Investment – Long Term" Award.



Major Events and Awards for the Year

**Permanent Standing Vice-Chairman of the Council of China's Foreign Trade**

Midland Group has been appointed Permanent Standing Vice-Chairman of the Council of China's Foreign Trade.



**Ta Kung Pao Gold Bauhinia Award**

Backed by more than 30 years of experience in real estate broking, the Group became the only Hong Kong real estate agency to win the China Securities Daily's "Gold Bauhinia Award" as well as the "Best Listed SME Award".



**The Fifth Midland Holdings Cup Race Day**

VIPs gathered at the Hong Kong Jockey Club to witness the success of the Fifth "Midland Holdings Cup Race Day". The high turnout of city celebrities including property developers, bankers, media in the PRC and Hong Kong and renowned investors bore testimony to recognise the Group's standing in the industry and the community.



**Elite Club**

A new high of 300-plus-strong membership of the Elite Club this year stands ready to lead the sales force to scale new heights. Elite Club will host a series of motivating events and hopefully will make its first stride out of Asia.



**Sales Awards from Developers**

Over the years, the Group has developed sound working relationship with various local developers. Awards received from developers reaffirmed their recognition of Midland Realty's top sales performance at newly developed projects.



**43rd Distinguished Salesperson Award**

Some members of our elite sales force won "43rd Distinguished Salesperson Award", thus further reaffirming their sales ability. Senior executives attended the award presentation to congratulate the winners in person.



## Major Events and Awards for the Year

### Supreme Brand in Asia

The Group won several awards under the “2011 Supreme Brands in Asia” programme, notably, the “Leading Real Estate Agency” award for the Midland Realty brand.



### Xinhua News Agency's 80th Anniversary

Proactive expansion of business on the mainland has fostered close ties between the Group and various mainland bodies. Our executives were invited to the cocktail party to commemorate the 80th anniversary of the Xinhua News Agency.



### New Branches Opening

Some new branches were added under the Midland Realty, Midland IC&I, Hong Kong Property Agency and Midland China labels. The new outlets have spanned both sides of the border and further expanded our sales network.



### Annual Dinner

Staff gathered at the Hong Kong Convention And Exhibition Centre for the 2011 annual dinner to enjoy a fun-filled evening.



### Capital CEO Supreme Brand Award

In keeping with the Group's spirit of innovating and persevering, we continued to compete for the No. 1 position in branding. The approach, as summarised in the slogan “Let the Midland insight see you through”, won a “Capital CEO Supreme Brand Award”.



### The Best Property Market Sales Partner

Working continually and closely with developers, the Group raked up the most sales of brand new units at a number of residential projects and was thus awarded “The Best Developer Awards 2011 – The Best Property Market Sales Partner”.





## Major Events and Awards for the Year

### ERB Manpower Developer Award

“Recruiting talents, developing talents and pooling talents” is one element of our mission. Our adherence to that has paid off. We became the only real estate agency to win the Employees Retraining Board’s “Manpower Developer 1st” in the “ERB Manpower Developer Award” Scheme.



### Economic Digest – Outstanding Enterprise 2011

With market foresight and management capacity, the Group was awarded “Outstanding Enterprise” at Enterprises Parade 2011, an event organized by Economic Digest, a local prestigious business magazine.



### Property Market Seminars

In line with our slogan “Understand First Then Invest” we held several large-scale seminars to offer information and insights on property trends and market overview. Our seminars have become more and more popular among the general public and help potential customers acquire more knowledge on the property market.



### Media Conferences

Ever watchful of the property market’s developments, we held press conferences to share our outlook and viewpoints with the general public. The subsequent wide coverage testified to the Group’s standing in the property scene.



### Management Associate Programme

The Group always aims at nurturing the business elites of the industry, and the Group’s human resources development programme has been proven successful with injecting new blood and raw talents into the Group. Since its inception, a number of management associates have joined management department. In 2011, the scheme drew a record number of applicants.



# Chairman's Statement



## Moving up with Time

### REVIEW

Despite recording respectable interim results, a downturn in the property market posed a major challenge for the Group and caused the pored registration volume to fall substantially from 70,342 units in the first half to 38,472 units in the second half. For the year ended 31 December 2011, profit for the year of the Group totalled HK\$158,782,000, down 72% from 2010.

In 2011, property-related cooling measures and restrictive lending policies took a toll on the market in both Hong Kong and the PRC, making it difficult for real estate agencies to operate. However, overall competition still intensified. Besides, persistently high retail rental rates, keen competitive environment and the implementation of minimum wage ordinance had placed huge pressure on our cost structure. The Group believes that the operating environment will still have to face the challenge of high cost in the near term but maintains an optimistic long-term view. Meanwhile, we shall seek for market opportunity to raise the Group's profitability and its market share.

### Housing policies affect property market performance in 2011

The performance of Hong Kong property market last year was marked by a sharp contrast between the first and the second half. Records at the Land Registry showed that the value of property sales registration in the second half plunged 41.2% from the first half. Once again, the Group was able to outperform the market with a much smaller drop in turnover of 25% during the same period.

Housing policies, the banks' lending practices and sharp correction in the stock market were largely responsible for the sector's sharp downturn in the second half. As the special stamp duty introduced in the fourth quarter of 2010 made its impact felt in 2011, home sales dropped steadfastly. Moreover, the loan-to-deposit ratio at Hong Kong's banks was on the rise. With less liquidity in the market, some banks took to raising the mortgage lending rate. All the above factors brought about an abrupt downturn in the property market in the second half. Meanwhile, the sovereign debt crisis in the euro zone continued to cast a pall over investor sentiment. The local stock market hit new low since May 2009 in the fourth quarter, dampening further the already lacklustre property sector.

## Chairman's Statement

Hit by one negative development after another, overall property transactions recorded at the Land Registry in the last quarter of 2011 hit the lowest level in past 12 quarters. Also hurt by austerity measures and restriction on home-purchase, the PRC property scene was affected, and so was our the PRC business, and thus its financial performance in 2011 was worse than that in the year before.

### Market saturation aggravates business environment

With dwindling transaction volume, competition within the industry intensified. Despite a harsh operating environment marked by heated competition, according to the Estate Agents Authority, the number of "statement of particulars of business" (SPoB) that a real estate agency must display at its place of business managed to increase 9% for the full year of 2011. One must note, however, that in the fourth quarter, the number of SPoBs edged up merely 1.4%, marking its lowest level in 3 quarters. This was a clear indication that real estate agencies had difficulties in carrying on business.

On the other hand, driven by the robust performance of the retail sector, retail rental rates stayed persistently high. A large rental expense and the minimum wage ordinance implemented in May 2011 exerted more pressure on the Group's rising overhead.

For our mainland operations, given the difference in the operating environment and market conditions, the Group had begun trimming its branch network in the second half and stepped up the focus strategy. Meantime, the Group restructured the management team of its mainland operation so as to strengthen its management capability.

### OUTLOOK – CAUTIOUSLY OPTIMISTIC

The Group remains cautiously optimistic on the Hong Kong property market in 2012. Peaking in last May, property prices fell continuously until January 2012. In February, 2012 property prices rebounded with a mild increase. However, whether the recent growth in transaction activity is sustainable depends on the strength of the buying power. It is worth mentioning that the global economic environments and financial markets are expected to stay volatile. In addition, government policies coupled with the mortgage tightening measures will weigh on the market. Nonetheless, the Board will adopt a positive stance to boost staff morale and to seek for market development and raise market share.

The Group takes the view that factors dampening the market last year will persist in the coming year. As such, we shall seek progress with a prudent stance and adjust costs appropriately. Some of the negative forces have abated recently. That the US Federal Reserve made known its plan to retain its low-interest-rate policy until the end of 2014 also would more or less help improve the market. Furthermore, the US economy has shown signs of improvement and the global stock market has rebounded remarkably this year. Besides, the government had begun to accelerate the land sale process since last year, which would encourage developers to promote more aggressively primary-market units and in the process and present new business opportunity for the Group. In this light, while admitting that we need to face various challenges in the near term, we are sanguine about the market's longer-term development.

### Housing policies still affect market performance

Undoubtedly, Hong Kong's economic fundamentals remain relatively sound. Despite volatility in global markets, the territory's seasonally adjusted provisional unemployment rate for the fourth quarter actually dipped slightly to 3.3%. Surely, news of massive personnel layoffs continued to plague the financial services sector, one of Hong Kong's economic pillars. But given the increasing participation of the PRC buyers on the local property scene in recent years, we believe that the impact of layoffs thus will be offset in part.

Having said that, global economic conditions and stock market performance, housing and economic policies in the PRC, and local housing policies and bank's attitudes towards mortgage lending will continue to affect the overall property market activity. We are pleased to note that the government did not introduce new property cooling measures in its 2011 Policy Address, nor in Budget speech last February. However, the dampening effect of the special stamp duty and the mortgage restrictions on luxury homes is still being felt. As such, home sales will continue to suffer. Moreover, the debt crisis in the Euro Zone, which shows every sign of being long drawn out, certainly will cloud the outlook of the Hong Kong property market. In the PRC, the central government did relax monetary control by reducing the reserve ratio of banks. But it has yet to indicate that it will loosen its grip on property policies.

## Chairman's Statement

### Group rises to challenge and moves forward

As per our forecast, residential property prices rose sharply, then fell last year. Despite the fairly steady pricing, the steep plunge in transaction volume had posed a major challenge to the Group and the industry. However, we believe that the property market is anchored on sound fundamentals for several reasons:

- Affordability ratio for homes standing at below 40%, a reasonable level
- A end-users driver market showing that market fundamentals are solid
- Considerable potential demand for residential units both from the local population and mainlanders
- Investment sentiment has improved
- Cost of funding is low
- The release of pent up demand

However, given that the market in 2012 is still overshadowed by adverse public policies, we believe that a rebound in home sales activity to the level of 2010 is unlikely. In this light, small agencies are expected to face enormous difficulties but major real estate agencies will be able to find opportunities in the market. With the government keeping a relatively aggressive stance regarding land sales, we hope developers will take the cue to expand their land bank and speed up the sale of homes in more projects. That, in turn, will have a positive impact on the Group's income.

In addition, buying power had accumulated over a period of quiet market performance and it will be unleashed on any sign of a positive turn of events. In fact, home sales picked up strongly shortly after the Lunar New Year in light of the emergence of some favourable factors. Noting how the market fluctuates, we shall stay flexible, resorting to our tried-and-true strategy of adopting multi-pronged marketing efforts to seize the business opportunity. At the appropriate time, we also shall host seminars again to keep the public informed and win over customer support. The "Property Seminar Series 2012" held in early February featuring the industry's superstars as speakers was a case in point. Besides, the Group has just revamped its website, a move which can help strengthen our market position in a cost efficient way.

### Strengthening market position

"Understand First Then Invest" a concept that we have been promoting for some time, has been winning over more and more believers among the general public. As a key step towards diversifying sales, we co-hosted with the Open University of Hong Kong the "Midland Training and Development Programme for Property Professionals" last year.

The Group takes the view that Hong Kong residential property market will have a stable development in the long term, although government measures and the debt crisis in Europe will continue to plague it in the near term. Given this scenario, the Group will stay vigilant and strive to raise its market standing by expanding its market share.

### Lifting Morale, Achieving Success

From 21 February 2012, upon being re-appointed by the Board, I have resumed the post of managing director of Midland Holdings Limited. My re-appointment was aimed at strengthening management. I also remain as the chairman of the Group. In re-appointing me, the Board had acknowledged my ability to maximise the strengths of our team of professionals, reinforce the Group's leading position in the market, and add value to the benefit of shareholders.

Last year, Midland IC&I Limited was awarded "Best Asia under A Billion" by Forbes Asia and its Deputy Chairman, Mr. WONG Tsz Wa, Pierre has been appointed as the Group's sales management director.

The Group always values team play and adopts people-oriented approach. I believe that team play is of utmost importance amid market uncertainty. Indeed, the second half of 2011 registered the biggest half yearly decline in secondary home sales registrations in a decade. To deal with the market fluctuation, the Group has taken measures to strengthen the management team. Building the corporate culture through pursuing the policy of promoting the top performers in an equitable, objective and open manner can boost the staff morale. And this will have positive impact on the staff productivity.

### Note of thanks

Lastly, on behalf of the Board, please allow me to express gratitude to all staff for a year of hard work. Despite the difficult times, we pulled together as one organisation to put up a respectable performance. Also let me offer our sincere thanks to all shareholders and customers for their continuous support. Thank you.

**WONG Kin Yip, Freddie**  
*Chairman and Managing Director*

Hong Kong, 16 March 2012

# Profile of Directors and Management Executives

## Executive Directors

### Mr. WONG Kin Yip, Freddie

aged 62, is the Founder, Chairman, Managing Director and Executive Director of the Company. He is also a member of the Nomination Committee, the Remuneration Committee and the Chairman's office.

Mr. WONG established Midland Realty in 1973 and has been the Chairman of the Company since 1993. He is responsible for formulating the overall corporate directions and corporate strategies of the Group, and leading the Group's management team.

Mr. WONG has over 38 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is the vice president of The Association of Hong Kong Professionals, and the chairman and permanent director of Midland Charitable Foundation Limited ("Midland Charitable Foundation"). In addition, Mr. WONG was a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference from 2005 to 2010, a member of the Estate Agents Authority in Hong Kong from 2006 to 2010, and also a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for the year 2006 and 2007.

Mr. WONG is the director of Sunluck Services Limited and Southern Field Trading Limited which have interests in the Company. He is the spouse of Ms. TANG Mei Lai, Metty, the Executive Director of the Company, and the father of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Deputy Managing Director and Executive Director of the Company.

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### Ms. TANG Mei Lai, Metty

aged 56, has been the Executive Director of the Company since December 2005. She acted as the Deputy Chairman of the Company from December 2005 to March 2011.

Ms. TANG joined the Group in 2004 and is responsible for the overall corporate development as well as investment strategy and management of the Group. She is the director of various members of the Group. Ms. TANG is currently the director, president and honorary member of Midland Charitable Foundation and participates in charitable activities from time to time.

Ms. TANG has also been the chairman, managing director and executive director of Midland IC&I Limited ("Midland IC&I"), the Company's listed subsidiary, since 2008.

She is the spouse of Mr. WONG Kin Yip, Freddie, the Chairman, Managing Director and Executive Director of the Company, and the mother of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Deputy Managing Director and Executive Director of the Company.

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## Profile of Directors and Management Executives

### Ms. WONG Ching Yi, Angela

aged 31, has been the Executive Director of the Company since March 2008 and has been the Deputy Chairman of the Company since March 2011 and Deputy Managing Director since August 2011. She is a member of the Chairman's Office.

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

Ms. WONG is the director of various members of the Group, including mReferral Corporation Limited ("mReferral"), a joint venture company of the Group with a leading developer. She is a director and the vice president of Midland Charitable Foundation. Ms. WONG has also been the executive director of Midland IC&I, the Company's listed subsidiary, since December 2011 and was the executive director of Midland IC&I from June 2007 to March 2008.

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

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

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## Profile of Directors and Management Executives

### Mr. WONG Kam Hong

aged 49, has been the Senior Executive Director of the Company since September 2008 and has been the Deputy Chairman of the Company since March 2011 and was the Managing Director from August 2011 to February 2012. He is a member of the Chairman's Office.

Mr. WONG joined the Group in April 2008 as the Chief Executive Consultant and acted as the Deputy Managing Director of the Group from 2001 to 2003. He has solid business experience and a strong background in real estate agency, securities and media industries. Mr. WONG plays a leading role in the Chairman's Office and is responsible for formulating, overseeing and implementing the Group's overall corporate strategies, enhancing the efficiencies and effectiveness of the Group as well as corporate development of the Group.

Mr. WONG was granted the First Prize of 2011 China's Top 10 Economic Talents by China Education TV, which is under Ministry of Education of the People's Republic of China in June 2011. He has also been appointed as permanent executive vice chairman by Council of China's Foreign Trade, China Council for the Promotion of International Trade since November 2011.

Mr. WONG is also a director of mReferral, a joint venture company of the Group with a leading developer. In addition, he is a director of Midland Charitable Foundation.

Mr. WONG holds a bachelor's of social science (honors) degree from Hong Kong Baptist College and a master's degree in business administration from The University of Wales, UK.

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## Profile of Directors and Management Executives

### Mr. CHAN Kwan Hing

aged 47, has been the Executive Director of the Company since September 2004. He joined the Group in 1991. Mr. CHAN is also the Chief Executive Officer (Group Residential) of the Company. He has solid experience in the real estate agency business. Mr. CHAN is responsible for formulation and implementation of business strategies of the Group's residential agency business. He is the president of Midland Ten Million Round Table and the honorary president of Midland Elite Club. Mr. CHAN holds a master's degree in business administration.

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### Ms. IP Kit Yee, Kitty

aged 52, has been the Executive Director of the Company since October 2008. She is also a member of the Remuneration Committee, the Nomination Committee and the Chairman's Office.

Ms. IP has been serving the Group since 1983 and is the director of various members of the Group. Ms. IP is responsible for overall corporate affairs, management and administration function of the Group. In addition, she is in charge of all aspects of training of the Group and established Midland University which is a renowned training center in the field of real estate agency. She also participates in formulating plans and policies to improve effectiveness in operation and control of the Group. Ms. IP has extensive experience in property administration, real estate agency and human resources administration and management.

Ms. IP was the Executive Director of the Company from June 1995 to September 2004 and was the executive director of Midland IC&I, the Company's listed subsidiary, from April 2007 to October 2008.

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### Mr. CHEUNG Kam Shing

aged 47, has been the Executive Director of the Company since March 2011. He was the Consultant of the Group from November 2008 to March 2011. Mr. CHEUNG is responsible for the strategic development and daily operation of the China division "Midland China". He has over 26 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 20 years and was the Executive Director of the Company from June 1998 to November 2005.

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## Profile of Directors and Management Executives

### Independent Non-executive Directors

#### Mr. KOO Fook Sun, Louis

aged 55, has been the Independent Non-executive Director of the Company since September 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. KOO is the founder and the managing director of Hercules Capital Limited, a corporate finance advisory firm. Mr. KOO has many years of experience in investment banking and professional accounting. He was a managing director and head of the corporate finance department of a major international bank, a director and chief executive officer of a Main Board listed company.

Mr. KOO graduated with a bachelor's degree in business administration from the University of California at Berkeley, and is a member of the Hong Kong Institute of Certified Public Accountants.

He currently also serves as an independent non-executive director of another five companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely Good Friend International Holdings Inc., Li Ning Company Limited, Weichai Power Co., Ltd., Xingda International Holdings Limited, and Richfield Group Holdings Limited.

Mr. KOO was the independent non-executive director of China Communications Construction Company Limited from September 2006 to December 2009, a company listed on the Main Board of the Stock Exchange. In addition, Mr. KOO was also the vice chairman and chief financial officer of 2020 ChinaCap Acquirco, Inc., a company listed on the New York Stock Exchange Euronext, from October 2007 to October 2009.

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#### Mr. SUN Tak Chiu

aged 48, has been the Independent Non-executive Director of the Company since September 2004. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

Mr. SUN has over 25 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in law and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Chartered Association of Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities Institute.

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#### Mr. WANG Ching Miao, Wilson

aged 50, has been the Independent Non-executive Director of the Company since September 2004. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Mr. WANG has over 21 years of experience in the field of optical products manufacturing. Mr. WANG is the founder of and is currently the managing director of Ginfax Development Limited which is engaged in the business of optical products manufacturing.

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## Profile of Directors and Management Executives

### Management Executives

#### Mr. WONG Tsz Wa

aged 48, joined the Group in 1993 and joined Midland IC&I, the Company's listed subsidiary in 2007. He has been the executive director since June 2007 and has been the deputy chairman since December 2011 of Midland IC&I. Mr. WONG has been a member of the Chairman's Office since December 2011. He acted as the chief executive officer of Midland IC&I from June 2007 to December 2011. Mr. WONG is responsible for Midland IC&I's overall business strategy and development and implementation of corporate strategies and policy in achieving the overall business objectives. He holds a master's degree in business administration. Mr. WONG has over 24 years of experience in non-residential property agency business in Hong Kong. He is also the member of the remuneration committee and nomination committee of Midland IC&I.

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#### Mr. MOK Ka Fai

aged 42, is the Chief Financial Officer of the Group since September 2010 and has been appointed as the Company Secretary of the Company since May 2011. He is responsible for the operations of finance, accounting, treasury and company secretarial functions. He is also a member of the Chairman's Office. Mr. MOK joined a joint venture of the Group in 2000. He has over 21 years of experience in the field of accounting and auditing. Mr. MOK graduated from The University of Hong Kong with a bachelor degree in business administration. He is a member of the Hong Kong Institute of Certified Public Accountants as well as a fellow member of Association of Chartered Certified Accountants.

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#### Mr. TSE Tsz Man, Gordon

aged 43, is the Senior Director (Corporate Development) of the Group. He joined the Group in 1996. He is responsible for the operations of investor relations and information technology. Mr. TSE is also responsible for the integration among different business activities. He is a member of the Chairman's Office. Mr. TSE holds a bachelor's degree in business administration from Simon Fraser University, Canada, and a master's degree in business administration from The University of Hong Kong.

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# Corporate Governance Report

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (“Midland” or the “Company”, together with its subsidiaries, the “Group”) 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 the requirements of all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2011, except that the roles of the chairman and the chief executive officer of the Company are not segregated under code provision A.2.1 of the CG Code as explained below.

## Board of Directors

### (i) Board Responsibilities and Delegation

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

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

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary of the Company, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. 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 ten Directors with seven Executive Directors and three Independent Non-executive Directors. The composition of the Board is set out as follows:

#### Executive Directors

Mr. WONG Kin Yip, Freddie (*Chairman and Managing Director*)  
 Ms. TANG Mei Lai, Metty  
 Ms. WONG Ching Yi, Angela (*Deputy Chairman and Deputy Managing Director*)  
 Mr. WONG Kam Hong (*Deputy Chairman*)  
 Mr. CHAN Kwan Hing  
 Ms. IP Kit Yee, Kitty  
 Mr. CHEUNG Kam Shing (*Appointed on 28 March 2011*)

#### Independent Non-executive Directors

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

## Corporate Governance Report

### Board of Directors (Continued)

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

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

The biographical details of the Directors are set out in the section of “Profile of Directors and Management Executives” on pages 12 to 17 of this Annual Report.

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

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

Mr. WONG also carried out the function of chief executive officer of the Company. The daily operation and management of the Company are monitored by the Executive Directors as well as the senior management of the Company, whereas the senior executives of the respective strategic business units of the Group are responsible for running and overseeing business operations of the respective business units.

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

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

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

During the year ended 31 December 2011, the Board held five meetings to discuss and approve the interim and final results and other significant issues of the Group. At least a 14-day notice of all regular Board meetings was given to Directors, who were given the opportunity to include matters in the meeting agenda. Directors’ attendance records at the Board and Committee meetings are set out on page 22 of this Annual Report.

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

All Independent Non-executive Directors, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, have been appointed for a specific term of one and a half years, one and a half years and two years respectively. They are subject to retirement by rotation and re-election at the Company’s annual general meeting at least once every three years in accordance with the bye-laws of the Company.

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

## Corporate Governance Report

### Board Committees

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

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

#### (i) Executive Committee

The Executive Committee was established on 21 September 1999 and consists of all Executive Directors as members. The Executive Committee has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group, and also the approval of certain corporate actions of the Company.

#### (ii) Audit Committee

The Audit Committee was established on 4 August 1998 and is chaired by Mr. KOO Fook Sun, Louis with two other members namely, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, all of whom are Independent Non-executive Directors. In compliance with Rule 3.10(2) of the Listing Rules, two of the members possess the appropriate professional qualifications or accounting or related financial management expertise. Written terms of reference of the Audit Committee is accessible on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2011, the Audit Committee held two meetings to discuss and review the interim and annual financial statements, the submission and publication of the interim and annual reports, and the internal audit plan and functions of the Group. There was no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

The major duties of the Audit Committee include:

- reviewing the Group's annual and interim financial statements and the interim and annual reports before submission to the Board for approval;
- reviewing the financial reporting obligations and considering any matters raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of external auditor and making recommendation on the appointment, re-appointment or removal of the external auditor;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective, and considering any major findings of internal control matters; and
- reviewing the financial control, internal control and risk management systems of the Group and ensuring the management has discharged its duty to have an effective internal control system, in particular, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

## Corporate Governance Report

### Board Committees (Continued)

#### (iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference posted on the websites of the Company and the Stock Exchange. For the year ended 31 December 2011, the Remuneration Committee comprised five members, namely Ms. IP Kit Yee, Kitty (the Chairman of the Remuneration Committee), Mr. WONG Kin Yip, Freddie, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of whom are Independent Non-executive Directors. With effect from 16 March 2012, Mr. SUN Tak Chiu, Independent Non-executive Director, has been appointed as the Chairman of the Remuneration Committee in place of Ms. IP Kit Yee, Kitty who remains as the member of the Remuneration Committee.

The Remuneration Committee held five meetings during the year ended 31 December 2011 to review, inter alia, the remuneration package of all Directors and the Group's 2011 overall remuneration. The principal role and responsibility of the Remuneration Committee include reviewing and determining the remuneration policy and packages of the Directors and senior management of the Group and making recommendations to the Board for approval. No Director or senior management was involved in the determination of his/her own remuneration package.

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

#### (iv) Nomination Committee

The Nomination Committee was established on 10 March 2005 with written terms of reference accessible on the websites of the Company and the Stock Exchange. For the year ended 31 December 2011, the Nomination Committee was chaired by Mr. WONG Kin Yip, Freddie with four other members, namely Ms. WONG Ching Yi, Angela, Mr. KOO Fook Sun, Louis, Mr. SUN Tak Chiu and Mr. WANG Ching Miao, Wilson, majority of whom are Independent Non-executive Directors. With effect from 16 March 2012, Mr. WONG Kin Yip, Freddie ceased to be the Chairman of the Nomination Committee but remains as a member and Mr. WANG Ching Miao, Wilson, Independent Non-executive Director, has been appointed as the Chairman of the Nomination Committee. The Board considers that such change will enhance the corporate governance of the Company. Ms. IP Kit Yee, Kitty has been appointed as a member of the Nomination Committee and Ms. WONG Ching Yi, Angela ceased to be a member of the Nomination Committee with effect from 16 March 2012.

During the year under review, the Nomination Committee held three meetings to review the independence of the Independent Non-executive Directors and the Board composition, and to review the retirement and rotation plan of the Directors.

The principal role and responsibility of the Nomination Committee include formulating the nomination policies, reviewing the independence of the Independent Non-executive Directors and making recommendations to shareholders on Directors standing for re-election. In order to achieve a balanced and appropriately qualified Board, the Nomination Committee is also responsible for reviewing the structure, size and composition of the Board, including the skills, knowledge and experience of the Board, and advise the Board as to any changes that may be required. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

## Corporate Governance Report

## Attendance Records at the Board and Committee Meetings

The attendance records of the individual Directors at the Board, Audit Committee, Remuneration Committee and Nomination Committee meetings during the year ended 31 December 2011 are set out as follows:

Directors	Board	No. of Meetings Attended/Held		
		Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Mr. WONG Kin Yip, Freddie <i>(Chairman and Managing Director)</i>	5/5	N/A	5/5	3/3
Ms. TANG Mei Lai, Metty	5/5	N/A	N/A	N/A
Ms. WONG Ching Yi, Angela <i>(Deputy Chairman and Deputy Managing Director)</i>	5/5	N/A	N/A	3/3
Mr. WONG Kam Hong <i>(Deputy Chairman)</i>	5/5	N/A	N/A	N/A
Mr. CHAN Kwan Hing	5/5	N/A	N/A	N/A
Ms. IP Kit Yee, Kitty	5/5	N/A	5/5	N/A
Mr. CHEUNG Kam Shing <i>(Appointed on 28 March 2011)</i>	3/3	N/A	N/A	N/A
Mr. KWOK Ying Lung <i>(Resigned on 15 March 2011)</i>	0/0	N/A	N/A	N/A
<b>Independent Non-executive Directors</b>				
Mr. KOO Fook Sun, Louis	5/5	2/2	5/5	3/3
Mr. SUN Tak Chiu	5/5	2/2	5/5	3/3
Mr. WANG Ching Miao, Wilson	4/5	2/2	4/5	3/3

## 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 of the Listing Rules.

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

## Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility, with the support from the finance department, for preparing the financial statements of the Group for the year ended 31 December 2011. The Board must ensure that the financial statements of the Group are prepared as to give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

The reporting responsibilities of the Company's independent auditor on the 2011 financial statements of the Group is set out in the "Independent Auditor's Report" on page 45 of this Annual Report.

## Corporate Governance Report

### Auditor's Remuneration

During the year ended 31 December 2011, the fees payable or paid to the Group's principal auditor PricewaterhouseCoopers in respect of audit and non-audit services provided by them are set out as follows:

	Fees payable or paid	
	2011 HK\$'000	2010 HK\$'000
<b>Services rendered for the Group</b>		
Audit Services	3,475	3,377
Interim Results Review	916	921
Non-audit Services (include taxation and other professional services)	395	291
<b>Total Fees</b>	<b>4,786</b>	<b>4,589</b>

### Internal Control

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

During the year, the Board, with the assistance of the internal audit department and the Audit Committee, has conducted reviews on the effectiveness of the Group's internal control systems.

### Shareholders' Right

The procedures for a poll voting on resolutions at shareholders' meetings are explained at shareholders' meetings. All voting of the shareholders at general meetings are taken by poll and the poll results will be posted on the websites of the Stock Exchange and of the Company.

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

### Investor Relations

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

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



# Corporate Social Responsibility Report

## Charity and Volunteer Works

### Caring Company

■ The Group believes in giving back to society and living up to corporate social responsibility and has been living up to this principle for a number of years. For the eighth year in a row, the Group was named a “Caring Company” with various member companies, including Midland Realty, Midland IC&I Limited (Stock Code: 459) and Hong Kong Property Agency, being honored.



### Series of Donations

■ Ms. Angela Wong, the Deputy Chairman and Deputy Managing Director of the Group, the Vice President of Midland Charitable Foundation on behalf of Midland Charitable Foundation donated HK\$300,000 to various service organisations, including the Hong Kong Island Private Hospitals Chaplaincy Committee, Kwong Wah Hospital, the Wong Tai Sin Hospital Chaplaincy and the Hong Kong Christian Cancer Care Association.

### Walk for Millions

■ Midland Realty is public-spirited that a VIP team formed by the Group’s residential property division joined the Community Chest Walks for Millions in 2011 and raised funds in the name of the Midland Charitable Foundation. While devoting both money and energy, the Group hoped to encourage more community members to care for the needy in society through the event.



### Hike for Hospice Care

■ Members of the Midland Realty management team once again joined the Society for the Promotion of Hospice Care’s Hike for Hospice to raise funds. Donations thus raised were channeled through the Midland Charitable Foundation. 2011 was the eighth year the Group participated in the event during which they contributed to the community. The Midland Charitable Foundation team finished the whole course in around 3 hours and they enjoyed the scenic landscapes in Tai Lam Country Park in such a meaningful event.



## Corporate Social Responsibility Report



### Lifeline Express “Charity Run/Walk”

- Midland Group, Midland Financial Group and mReferral jointly participated in the Lifeline Express “Charity Run/Walk” to raise funds for the visually impaired.

### Midland Cup Raising Fund for Special School

- At the Fifth Midland Cup Races, Midland Charitable Foundation called for donations to help a school for children with special needs. Staff donated their time as well as cash, raising a charitable sum of HK\$80,000. A cheque was presented to the representative of Chi Yun School in Sham Shui Po by Ms. Angela Wong, the Deputy Chairman and Deputy Managing Director of the Group as well as the Vice President of Midland Charitable Foundation.



### Heart-to-heart Project

- The Group participated in the “Heart-to-heart Project” organised by the Hong Kong Federation of Youth Groups to subsidise schools and to help organize volunteers among young people so as to teach civil-mindedness and spread the community spirit.



## Corporate Social Responsibility Report

### Visit the children with developmental disorders

- The Group's staff teaming up with the volunteer team of Islamic Dharwood Pau Memorial Primary School visited the Heep Hong Society Mary Wong Centre and spent a joyful afternoon with three to five years old kids having developmental delay.



### Care for the elderly living alone

- Joining force with the students of Po Leung Kuk 1984 College and the employees of the Hong Kong Federation of Youth Group, the Group staff paid visit to the senior living alone at Ming Tak Estate and pre-celebrated Easter.

### Visit the elderly living alone

- Together with the volunteers from Po Leung Kuk 1984 College and the employees from the Hong Kong Federation of Youth Group, the Group's staff visited the seniors living alone. Presenting Zongzi, sticky rice dumplings wrapped in bamboo leaves at the eve of Dragon Boat Festival, they sent the elderly the warm regards.



Corporate Social Responsibility Report

## Fostering the Development of the Industry

### Credible source of property information

- The research department provides market intelligence to Bloomberg, Hong Kong Monetary Authority, and Rating and Valuation Department for the purpose of enhancing the market transparency.



### Open University – Debate Contest

- The Group hosted the first open debate contest and invited the undergraduates and the general public to participate the debate on the topic “Whether Hong Kong property market is irrational exuberant?”. This pioneering event received strong market response and prompted the public to pay attention to the market development.



### Enhancing transparency of the Hong Kong property market

- As a market leader, the Group always strives to enhance the transparency of the property sector. The Group’s website offers comprehensive information and analysis on the market trend. Recently, the Group has revamped the website and enhanced its functionality.



### Professional training program

- Midland University offered 540 classes in 2011, providing various internal training courses to over 27,000 counts of participants. Training programs ranged from law & regulations, business ethics to professional sales skills and customer services.

## Corporate Social Responsibility Report

### Licensing courses for property agents

■ In an effort to enhance the professional standards of the industry, Midland University has offered licensing courses for property agents for many years. And more than 5,000 counts of the general public took the preparation courses for the qualifying examinations.



### Cross Industry Exchange

■ Last May, the elites of the Group met with representatives of Hong Kong Police College, fostering cross-industry sharing and exchange of knowledge and experience at the front of leadership and management skills.

## Making Contributions to the Prosperity of Hong Kong

### Midland Real Estate Professional Development Project

■ As a pioneering effort, the Group donated HK\$2 million to the Open University of Hong Kong to launch the first “Midland Real Estate Professional Development Project”. A “Real Estate Industry Summit” as part of the launch ceremony. The program offers two-year courses aiming to raise professional and ethical standards of the industry. And it also serves as a self-learning platform for the market participants and general public, fostering the conviction of “Understand First Then Invest”.



## Corporate Social Responsibility Report

### 2011 SMART Investment & International Property Expo

- The representatives of the Group were invited to be the guest speakers at the “2011 SMART Investment & International Property Expo”, which was held at HKCEC. Presenting the topic – “The revelation of the success of property investing”, the speakers shared their views and investment models with the audiences.



### Talk organised by HKUST MBA Alumni Association

- Two years in a row, the Group joined the talk organised by the HKUST MBA Alumni Association and shared the view on the trend of the property market. In 2011, Mr. Buggle Lau, the Chief Analyst, delivered a keynote presentation entitled “The effect of future supply on Hong Kong Property” and his speech received positive response.

### Nurturing the next generation

- As the member of the Advisory Board of HKU Business Association, Ms. Angela Wong, the Deputy Chairman and Deputy Managing Director of the Group, has a strong tie with the University of Hong Kong. Few years in a row, a number of Midland executives were invited to share their experience and knowledge on management with students at the University of Hong Kong, nurturing the next generation of Hong Kong.

In January 2011, the management of the Group was invited to share their views on the contributions of property agency industry to the development of the financial sector in Hong Kong with the undergraduates of Open University of Hong Kong.



# Report of Directors

The board of directors (the “Board” or the “Directors”) of Midland Holdings Limited (the “Company”) are pleased to present their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011.

## Principal Activities and Segment Information

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

An analysis of the Group’s performance for the year by operating segment is set out in note 7 to the financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 46 of this Annual Report.

The Directors declared an interim dividend of HK\$0.2233 per ordinary share for the six months ended 30 June 2011 (2010: HK\$0.268 per ordinary share), totalling HK\$160,981,000 (2010: HK\$194,094,000), which was paid on Friday, 23 September 2011.

The Directors proposed a special dividend of HK\$0.0834 per ordinary share for the year (2010: final dividend of HK\$0.2028 per ordinary share and “創業38周年” special cash bonus of HK\$0.118 per ordinary share) to shareholders whose names appear on the register of members of the Company on Friday, 1 June 2012. Taking into account of the interim dividend payment, the total dividend for the year would amount to HK\$0.3067 per ordinary share, totalling HK\$220,565,000 for the year (2010: HK\$0.5888 per ordinary share, totalling HK\$426,427,000), representing a decrease of approximately 48% compared with last year. Subject to approval of the shareholders at the forthcoming annual general meeting of the Company (the “AGM”), the special dividend will be paid on or around Friday, 8 June 2012.

## Reserves

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

## Charitable Donation

During the year, the Group made charitable donation totalling HK\$1,284,000 (2010: HK\$1,756,000).

## Property, Plant and Equipment

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

## Investment Properties

Details of movements in investment properties of the Group during the year are set out in note 18 to the financial statements. Details of the properties held for investment purposes are set out on pages 102 to 103 of this Annual Report.

## Share Capital

Details of movements in share capital of the Company during the year are set out in note 29 to the financial statements.

## Report of Directors

### Pre-Emptive Rights

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

### Distributable Reserves

As at 31 December 2011, the reserves of the Company available for distribution, net of dividends paid and proposed, amounted to HK\$672,646,000 (2010: HK\$481,805,000).

### Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104 of this Annual Report.

### Purchase, Sale or Redemption of Shares

During the year ended 31 December 2011, the Company repurchased a total of 8,140,000 ordinary shares of HK\$0.10 each of the Company at an aggregate consideration of HK\$36,820,640 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Purchase price per Share		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
May 2011	2,918,000	5.44	5.14	15,494,140
June 2011	396,000	5.21	4.30	1,955,840
December 2011	4,826,000	4.06	3.83	19,370,660
Total	<u>8,140,000</u>			36,820,640
		Total expenses on shares repurchased		141,042
				<u>36,961,682</u>

Out of the 8,140,000 repurchased ordinary shares, 4,842,000 shares were cancelled during the year, and the remaining 3,298,000 shares were cancelled subsequent to the year end date. The issued share capital of the Company was accordingly reduced by the nominal value of the repurchased ordinary shares so cancelled. Subsequent to the year end date, the Company repurchased a further of 1,650,000 ordinary shares of HK\$0.10 each of the Company at an aggregate consideration of HK\$6,717,128 at prices ranging from HK\$4.00 to HK\$4.09 per share on the Stock Exchange. The repurchases were effected by the Board pursuant to the mandate from shareholders, with a view to benefit shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.



## Report of Directors

### Re-election of Directors

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

#### Executive Directors

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

Ms. TANG Mei Lai, Metty

Ms. WONG Ching Yi, Angela (*Deputy Chairman and Deputy Managing Director*)

Mr. WONG Kam Hong (*Deputy Chairman*)

Mr. CHAN Kwan Hing

Ms. IP Kit Yee, Kitty

Mr. CHEUNG Kam Shing (*Appointed on 28 March 2011*)

Mr. KWOK Ying Lung (*Resigned on 15 March 2011*)

#### Independent Non-executive Directors

Mr. KOO Fook Sun, Louis

Mr. SUN Tak Chiu

Mr. WANG Ching Miao, Wilson

In accordance with bye-law 87 of the Company's bye-laws, Ms. TANG Mei Lai, Metty, Ms. WONG Ching Yi, Angela, Mr. WONG Kam Hong and Mr. CHAN Kwan Hing will retire by rotation as Directors at the AGM. Except for Mr. WONG Kam Hong who will not offer himself for re-election, the remaining retiring Directors, being eligible, will offer themselves for re-election at the AGM.

### Directors' Service Contracts

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

### Directors' Interests in Contracts

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

### Share Option Schemes

#### Midland Share Option Scheme

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

##### (a) Purpose

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

## Report of Directors

### Share Option Schemes (Continued)

#### Midland Share Option Scheme (Continued)

##### (b) Eligible persons

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

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

Total number of shares available for issue are 6,349,969, representing approximately 0.89% of the issued share capital 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 options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person (including cancelled, exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

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

The maximum number of shares issued and to be issued upon exercise of options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible person who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the 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 abovementioned limit shall be subject to the issue of a circular by the Company and shall be separately approved by the shareholders of the Company in general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

##### (f) Time of exercise of option

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

##### (g) Acceptance of offer

An offer for the grant of an option must be accepted within twenty-eight days from the day on which such offer was made. The amount payable on acceptance of the offer for the grant of an option is HK\$1.

## Report of Directors

## Share Option Schemes (Continued)

## Midland 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 shall be no 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 date of offer;
- (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 date of offer; and
- (iii) the nominal value of a share of the Company.

## (i) The remaining life of the Share Option Scheme

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

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

Name of Director	Date of grant	Exercise price per share (HK\$)	Closing price per share immediately before the date of grant (HK\$)	Number of share options					Exercisable period
				Balance outstanding as at 1 January 2011	Granted during the year	Cancelled/lapsed during the year	Exercised during the year	Balance outstanding as at 31 December 2011	
WONG Kin Yip, Freddie	21 July 2011	4.29	4.26	-	3,604,580	-	-	3,604,580	1 August 2011 to 31 July 2019
	21 July 2011	4.29	4.26	-	3,604,580	-	-	3,604,580	1 January 2012 to 31 December 2019
TANG Mei Lai, Metty	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 October 2013 to 30 September 2021
WONG Ching Yi, Angela	22 October 2007	7.858	7.79	3,654,487	-	(3,654,487)	-	-	1 February 2008 to 31 January 2011
	22 October 2007	7.858	7.79	3,654,487	-	(3,654,487)	-	-	1 August 2008 to 31 July 2011
	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 October 2013 to 30 September 2021
WONG Kam Hong	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3.72	-	3,604,580	-	-	3,604,580	1 October 2013 to 30 September 2021

## Report of Directors

## Share Option Schemes (Continued)

## Midland Share Option Scheme (Continued)

Name of Director	Date of grant	Exercise price per share (HK\$)	Closing price per share immediately before the date of grant (HK\$)	Number of share options					Exercisable period
				Balance outstanding as at 1 January 2011	Granted during the year	Cancelled/lapsed during the year	Exercised during the year	Balance outstanding as at 31 December 2011	
KOO Fook Sun, Louis	21 July 2011	4.29	4.26	-	150,000	-	-	150,000	1 August 2011 to 31 July 2019
SUN Tak Chiu	21 July 2011	4.29	4.26	-	150,000	-	-	150,000	1 August 2011 to 31 July 2019
WANG Ching Miao, Wilson	21 July 2011	4.29	4.26	-	150,000	-	-	150,000	1 August 2011 to 31 July 2019
Total				<u>7,308,974</u>	<u>29,286,640</u>	<u>(7,308,974)</u>	<u>-</u>	<u>29,286,640</u>	

Information on the accounting policy for share options granted and the value of options granted under the Share Option Scheme is provided in note (3)(o)(iii) and note 29(c) to the financial statements.

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

## Midland IC&amp;I Limited Share Option Scheme

At the extraordinary general meeting of Midland IC&I Limited ("Midland IC&I") held on 19 September 2008, a share option scheme of Midland IC&I (the "Midland IC&I Share Option Scheme") was adopted.

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

## (a) Purpose of the Midland IC&amp;I Share Option Scheme

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

## (b) Participants of the Midland IC&amp;I Share Option Scheme

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

## Report of Directors

### Share Option Schemes (Continued)

#### Midland IC&I Limited Share Option Scheme (Continued)

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

Total number of shares available for issue are 810,000,000, representing approximately 9.76% of the issued share capital of Midland IC&I 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 options granted under the Midland IC&I Share Option Scheme and any other share option schemes of Midland IC&I to each eligible person, in any 12-month period must not exceed 1% of the shares of Midland IC&I in issue.

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

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

The maximum number of shares issued and to be issued upon exercise of options granted under the Midland IC&I Share Option Scheme and any other share option schemes of Midland IC&I to each eligible person who is an independent non-executive director or a substantial shareholder of Midland IC&I, in any 12-month period shall not exceed 0.1% of the shares of Midland IC&I in issue and the aggregate value which based on the closing price of the shares of Midland IC&I 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 abovementioned limit shall be subject to the issue of a circular by Midland IC&I and shall be separately approved by the shareholders of Midland IC&I and, for so long as Midland IC&I remains a subsidiary of the Company, the shareholders of the Company in their respective general meeting with such grantee and his associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

##### (f) Time of exercise of option

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

##### (g) Basis of determining the exercise price

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

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

## Report of Directors

## Share Option Schemes (Continued)

## Midland IC&amp;I Limited Share Option Scheme (Continued)

## (h) Remaining life of the Midland IC&amp;I Share Option Scheme

The Midland IC&I 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.

The particulars of movement of share options outstanding during the year under the Midland IC&I Share Option Scheme are as follows:

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

Information in the accounting policy for share options granted and the value of options granted under the Midland IC&I Share Option Scheme is provided in note (3)(o)(iii) and note 29(d) to the financial statements.

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

## Report of Directors

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2011, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Number of ordinary shares			Number of underlying shares			Approximate percentage of issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Personal interests	Family interests	Total	
WONG Kin Yip, Freddie	31,074,000	5,494,144 (Note 1)	–	7,209,160 (Note 2)	7,209,160 (Note 3)	50,986,464	7.09%
TANG Mei Lai, Metty	–	–	36,568,144 (Note 4)	7,209,160 (Note 5)	7,209,160 (Note 6)	50,986,464	7.09%
WONG Ching Yi, Angela	–	–	–	7,209,160 (Note 7)	–	7,209,160	1.00%
WONG Kam Hong	–	–	–	7,209,160 (Note 8)	–	7,209,160	1.00%
KOO Fook Sun, Louis	–	–	–	150,000 (Note 9)	–	150,000	0.02%
SUN Tak Chiu	–	–	–	150,000 (Note 10)	–	150,000	0.02%
WANG Ching Miao, Wilson	–	–	–	150,000 (Note 11)	–	150,000	0.02%

## Notes:

- These shares are held by Sunluck Services Limited. Mr. WONG Kin Yip, Freddie ("Mr. WONG") indirectly owns 100% interests in Sunluck Services Limited through his wholly-owned company, namely Southern Field Trading Limited.
- These underlying shares are held by Mr. WONG by virtue of the interests in the share options granted to him.
- These underlying shares represent the underlying shares held by Ms. TANG Mei Lai, Metty ("Ms. TANG"), the spouse of Mr. WONG, as beneficial owner.
- These shares represent shares held directly or indirectly by Mr. WONG, the spouse of Ms. TANG, as beneficial owner.
- These underlying shares are held by Ms. TANG by virtue of the interests in the share options granted to her.
- These underlying shares represent the underlying shares held by Mr. WONG, the spouse of Ms. TANG, as beneficial owner.
- These underlying shares are held by Ms. WONG Ching Yi, Angela by virtue of the interests in the share options granted to her.
- These underlying shares are held by Mr. WONG Kam Hong by virtue of the interests in the share options granted to him.
- These underlying shares are held by Mr. KOO Fook Sun, Louis by virtue of the interests in the share options granted to him.
- These underlying shares are held by Mr. SUN Tak Chiu by virtue of the interests in the share options granted to him.
- These underlying shares are held by Mr. WANG Ching Miao, Wilson by virtue of the interests in the share options granted to him.

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

Save as disclosed above, as at 31 December 2011, neither the directors nor the chief executives of the Company had or was deemed to have any interests or short position 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 Directors

### Directors' Rights to Acquire Shares or Debentures

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

### Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

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

Name of Substantial Shareholders	Number of Ordinary Shares	Holding capacity	Approximate percentage of issued share capital of the Company
Marathon Asset Management LLP	93,889,000 (L)	Investment manager	13.05%
JPMorgan Chase & Co.	63,502,000 (L)	Investment manager	8.83%
	23,519,764 (P)	Approved lending agent	3.27%
UBS AG	7,111,844 (L)	Beneficial owner	0.99%
	8,196,000 (L)	Security interest	1.14%
	24,770,000 (L)	Interest in controlled corporation	3.44%
	4,035,548 (S)	Beneficial owner	0.56%
	24,272,000 (S)	Interest in controlled corporation	3.37%

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

### 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 five largest customers accounted for less than 30% of the total sales for the year.

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

### Related Party Transactions

Details of the significant related party transactions entered into by the Group during the year are provided under note 38 to the financial statements.



## Report of Directors

### Connected Transactions

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

#### Connected Transactions

As disclosed in an announcement dated 21 January 2011, the Group entered into 5 agreements respectively with the companies beneficially owned by Mr. WONG Kin Yip, Freddie (“Mr. WONG”) and/or his associates for the provision of estate agency services by the Group within the period from 13 August 2010 to 21 January 2011. The total agency fee was amounted to about HK\$4,111,008.

#### Continuing Connected Transactions

- (a) A tenancy agreement was made on 31 August 2011 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in the British Virgin Islands (the “BVI”) and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Flat E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a shop for a term of two years commencing from 1 November 2011 to 31 October 2013 at a monthly rental of HK\$57,000.
- (b) A tenancy agreement was made on 31 August 2011 between Main Dynasty Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop F on the Lower Ground Floor of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 1 November 2011 to 31 October 2013 at a monthly rental of HK\$110,000 for the first year and HK\$115,000 for the second year.
- (c) A tenancy agreement was made on 31 August 2011 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office for a term of two years commencing from 1 November 2011 to 31 October 2013 at a monthly rental of HK\$44,800.
- (d) A tenancy agreement was made on 15 February 2011 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Unit No.5 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office for a term of two years commencing from 1 April 2011 to 31 March 2013 at a monthly rental of HK\$37,500.
- (e) A tenancy agreement was made on 10 March 2011 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease car parking spaces Nos.P18 and P19 located at the Basement Floor of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong for a term of one year commencing from 1 March 2011 to 29 February 2012 at a monthly rental of HK\$2,000.

## Report of Directors

### Connected Transactions (Continued)

#### Continuing Connected Transactions (Continued)

- (f) A tenancy agreement was made on 21 April 2011 between HKP Corporate Leasing (XVII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Praise World Limited, a company incorporated in Hong Kong and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease portion (New Shop 2) of Cinema II (otherwise known as Commercial Unit 6) located at Tai Po Plaza, No.1 On Tai Road, Tai Po, New Territories, Hong Kong as a shop for a term of two years commencing from 11 April 2011 to 10 April 2013 at a monthly rental of HK\$120,000.
- (g) A tenancy agreement was made on 6 January 2011 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Flat D on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a shop for a term of two years commencing from 10 January 2011 to 9 January 2013 at a monthly rental of HK\$50,000.
- (h) A tenancy agreement was made on 30 April 2010 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located as Offices Nos.11-16, 7th Floor, Tower B, Mandarin Plaza (also known as New Mandarin Plaza), No. 14 Science Museum Road, Kowloon, Hong Kong as an office for a term of two years commencing from 1 May 2010 to 30 April 2012 at a monthly rental of HK\$113,166 for the first year and HK\$125,740 for the second year.
- (i) A tenancy agreement was made on 15 October 2010 between World Up Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Titan Speed Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located as Office No.910, 9th Floor, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong as an office for a term of two years commencing from 18 October 2010 to 17 October 2012 at a monthly rental of HK\$80,000.
- (j) A tenancy agreement was made on 31 March 2010 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Vision Dynasty Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop E on the Lower Ground Floor and Utility Room at Rear of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 16 April 2010 to 15 April 2012 at a monthly rental of HK\$85,000.
- (k) A tenancy agreement was made on 30 October 2009 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop E on the Ground Floor of Sun Luen Building, Nos.29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a shop for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$48,000.
- (l) A tenancy agreement was made on 30 October 2009 between Main Dynasty Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Goal Precise Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Shop F on the Lower Ground Floor of Splendid Place, No.39 Tai Koo Shing Road, Hong Kong as a shop for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$69,000.
- (m) A tenancy agreement was made on 30 October 2009 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited, a company incorporated in the BVI and wholly-owned by Mr. WONG, as landlord whereby the landlord agreed to lease a premises located at Unit No.4 on the 7th Floor of Tower II of South Seas Centre, No.75 Mody Road, Kowloon, Hong Kong as an office for a term of two years commencing from 1 November 2009 to 31 October 2011 at a monthly rental of HK\$33,600.

## Report of Directors

### Connected Transactions (Continued)

The Independent Non-executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.37 of the Listing Rules and confirmed that, the aforesaid continuing connected transactions have been entered into:

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 40 to 41 of this Annual Report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

### Changes in Directors' Information

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

1. Mr. WONG Kin Yip, Freddie has been re-designated as the Chairman, Managing Director and Executive Director of the Company since February 2012.
2. Ms. WONG Ching Yi, Angela has been appointed as the executive director of Midland IC&I Limited, a subsidiary of the Company, since December 2011 and is entitled to receive an annual director's fee of HK\$30,000.
3. Mr. WONG Kam Hong has been re-designated as a Deputy Chairman and Executive Director of the Company since February 2012.

### Retirement Scheme

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

### Principal Subsidiaries, Jointly Controlled Entities and an Associated Company

Details of the Company's principal subsidiaries, jointly controlled entities and an associated company as at 31 December 2011 are set out in note 39 to the financial statements.

### Bank Loan

Particulars of bank loan of the Group as at 31 December 2011 is set out in note 32 to the financial statements.

### Emolument Policy

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

## Report of Directors

### Directors' Interest in Competing Business

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

### Sufficiency of Public Float

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

### Auditor

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

On behalf of the Board

**WONG Kin Yip, Freddie**

*Chairman and Managing Director*

Hong Kong, 16 March 2012

# Management Discussion and Analysis

## Liquidity, Financial Resources and Funding

As at 31 December 2011, the Group had cash and bank balances of HK\$1,249,009,000 (2010: HK\$1,601,926,000), whilst bank loan amounted to HK\$11,800,000 (2010: HK\$12,663,000). The Group's bank loan was secured by certain land and buildings and investment property held by the Group of HK\$26,339,000 and HK\$840,000 respectively (2010: secured by certain land and buildings held by the Group of HK\$27,441,000) and with maturity profile set out as follows:

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

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

As at 31 December 2011, the Group had unutilised banking facilities amounting to HK\$166,433,000 (2010: HK\$188,156,000) from various banks. The Group's cash and bank balances are deposited in Hong Kong Dollars, United States Dollars, Renminbi and Macau Pataca and the Group's bank loan is in Hong Kong Dollars. No currency hedging tool is used. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2011, the gearing ratio of the Group was 0.72% (2010: 0.67%). The gearing ratio is calculated on the basis of total bank loans 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 2.1 (2010: 2.2).

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 ended 31 December 2011, the Company had repurchased 8,140,000 own shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$37.0 million, details of which are outlined in the section "Purchase, Sale or Redemption of Shares" in the Report of Directors on page 31. The Group generally finances its operations and investing activities with equity holders' funds.

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

## Contingent Liabilities

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

## Employee information

As at 31 December 2011, the Group employed 7,530 full time employees of which 6,496 were sales agents, 492 were back office supportive employees and 542 were frontline supportive employees.

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

# Independent Auditor's Report



羅兵咸永道

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDLAND HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 101, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 16 March 2012

# Consolidated Income Statement

For The Year Ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
Revenues	6	3,397,723	3,736,952
Other income	8	7,055	34,866
Staff costs	9	(1,932,980)	(2,121,894)
Rebate incentives		(365,474)	(243,809)
Advertising and promotion expenses		(115,905)	(119,063)
Operating lease charges in respect of office and shop premises		(403,549)	(302,833)
Impairment of receivables		(100,433)	(68,521)
Depreciation and amortisation costs		(48,129)	(34,806)
Other operating costs		(254,991)	(222,099)
Operating profit	11	183,317	658,793
Finance income	12	12,527	4,315
Finance costs	12	(229)	(476)
Share of results of			
Jointly controlled entities	23	16,595	24,227
An associated company	24	(153)	308
Profit before taxation		212,057	687,167
Taxation	13	(53,275)	(119,218)
Profit for the year		158,782	567,949
Profit attributable to:			
Equity holders		133,557	532,794
Non-controlling interests		25,225	35,155
		158,782	567,949
Dividends	15	220,565	426,427
Earnings per share	16	HK cents	HK cents
Basic		18.49	73.57
Diluted		18.49	73.57

# Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2011

	2011 HK\$'000	2010 HK\$'000
Profit for the year	158,782	567,949
Other comprehensive income		
Currency translation differences	1,045	5,373
Change in fair value of land and buildings upon transfer of properties to investment properties	–	6,652
Change in fair value of available-for-sale financial assets	(1,256)	(877)
	(211)	11,148
Total comprehensive income for the year	158,571	579,097
Total comprehensive income for the year attributable to:		
Equity holders	133,385	543,942
Non-controlling interests	25,186	35,155
	158,571	579,097



# Consolidated Balance Sheet

As At 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	172,078	162,416
Investment properties	18	82,270	76,095
Interests in jointly controlled entities	23	58,090	58,295
Interests in an associated company	24	17	1,270
Available-for-sale financial assets	25	15,179	13,927
Deferred taxation assets	33	13,793	19,141
		341,427	331,144
		341,427	331,144
<b>Current assets</b>			
Trade and other receivables	26	1,167,740	1,258,827
Financial assets at fair value through profit or loss	27	130	163
Taxation recoverable		18,367	–
Cash and bank balances	28	1,249,009	1,601,926
		2,435,246	2,860,916
		2,435,246	2,860,916
<b>Total assets</b>		2,776,673	3,192,060

**Consolidated Balance Sheet**  
As At 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	29	71,939	72,423
Share premium	29	224,354	247,484
Reserves	30	1,149,490	1,219,361
Proposed dividend	30	59,584	232,333
		<u>1,505,367</u>	<u>1,771,601</u>
<b>Non-controlling interests</b>		<u>135,826</u>	<u>110,476</u>
<b>Total equity</b>		<u>1,641,193</u>	<u>1,882,077</u>
<b>Non-current liabilities</b>			
Deferred taxation liabilities	33	<u>2,700</u>	<u>1,801</u>
<b>Current liabilities</b>			
Trade and other payables	31	1,120,980	1,256,857
Bank loan	32	11,800	12,663
Amount due to an associated company	24	–	500
Taxation payable		–	38,162
		<u>1,132,780</u>	<u>1,308,182</u>
<b>Total liabilities</b>		<u>1,135,480</u>	<u>1,309,983</u>
<b>Total equity and liabilities</b>		<u>2,776,673</u>	<u>3,192,060</u>
<b>Net current assets</b>		<u>1,302,466</u>	<u>1,552,734</u>
<b>Total assets less current liabilities</b>		<u>1,643,893</u>	<u>1,883,878</u>

**WONG Ching Yi, Angela**  
Director

**IP Kit Yee, Kitty**  
Director

# Balance Sheet

As At 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Subsidiaries	21	108,501	108,501
<b>Current assets</b>			
Other receivables, prepayments and deposits	26	677	455
Amounts due from subsidiaries	22	2,369,369	1,959,985
Taxation recoverable		–	1,052
Cash and bank balances	28	1,685	777
		2,371,731	1,962,269
<b>Total assets</b>		<b>2,480,232</b>	<b>2,070,770</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	29	71,939	72,423
Share premium	29	224,354	247,484
Reserves	30	693,979	498,323
Proposed dividend	30	59,584	232,333
<b>Total equity</b>		<b>1,049,856</b>	<b>1,050,563</b>
<b>Current liabilities</b>			
Other payables and accruals	31	17,503	55,445
Amounts due to subsidiaries	22	1,407,669	964,762
Taxation payable		5,204	–
<b>Total liabilities</b>		<b>1,430,376</b>	<b>1,020,207</b>
<b>Total equity and liabilities</b>		<b>2,480,232</b>	<b>2,070,770</b>
<b>Net current assets</b>		<b>941,355</b>	<b>942,062</b>
<b>Total assets less current liabilities</b>		<b>1,049,856</b>	<b>1,050,563</b>

**WONG Ching Yi, Angela**

Director

**IP Kit Yee, Kitty**

Director

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2011

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000	Equity holders HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2011	72,423	247,484	1,451,694	1,771,601	110,476	1,882,077
Comprehensive income						
Profit for the year	–	–	133,557	133,557	25,225	158,782
Other comprehensive income						
Currency translation differences	–	–	1,084	1,084	(39)	1,045
Change in fair value of available-for-sale financial assets	–	–	(1,256)	(1,256)	–	(1,256)
Total comprehensive income	–	–	133,385	133,385	25,186	158,571
Transactions with owners						
Employee share option scheme						
– value of employee services	–	–	30,657	30,657	164	30,821
Repurchase of own shares	(484)	(23,130)	(13,348)	(36,962)	–	(36,962)
2010 final dividend and “創業38周年” special cash bonus paid	–	–	(232,333)	(232,333)	–	(232,333)
2011 interim dividend paid	–	–	(160,981)	(160,981)	–	(160,981)
	(484)	(23,130)	(376,005)	(399,619)	164	(399,455)
At 31 December 2011	71,939	224,354	1,209,074	1,505,367	135,826	1,641,193
At 1 January 2010	72,423	247,484	1,419,059	1,738,966	75,321	1,814,287
Comprehensive income						
Profit for the year	–	–	532,794	532,794	35,155	567,949
Other comprehensive income						
Currency translation differences	–	–	5,373	5,373	–	5,373
Change in fair value of land and buildings upon transfer of properties to investment properties	–	–	6,652	6,652	–	6,652
Change in fair value of available-for-sale financial assets	–	–	(877)	(877)	–	(877)
Total comprehensive income	–	–	543,942	543,942	35,155	579,097
Transactions with owners						
2009 final dividend paid	–	–	(317,213)	(317,213)	–	(317,213)
2010 interim dividend paid	–	–	(194,094)	(194,094)	–	(194,094)
	–	–	(511,307)	(511,307)	–	(511,307)
At 31 December 2010	72,423	247,484	1,451,694	1,771,601	110,476	1,882,077

# Consolidated Statement of Cash Flows

For The Year Ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	34(a)	209,737	762,593
Hong Kong profits tax paid		(103,349)	(143,075)
Overseas taxation paid		(208)	(4,750)
Interest paid		(229)	(476)
Net cash from operating activities		105,951	614,292
<b>Cash flows from investing activities</b>			
Net cash inflow from disposal of subsidiaries	34(b)	2,075	9,479
Purchase of property, plant and equipment		(62,011)	(50,712)
Proceeds from disposal of assets held for sale		–	49,617
Proceeds from disposal of property, plant and equipment		2	74
Purchase of financial assets at fair value through profit or loss		–	(4)
Purchase of available-for-sale financial assets		(3,351)	(3,479)
Return of capital from available-for-sale financial assets		1,385	1,425
Decrease/(increase) in bank deposits with maturity over three months from date of deposits		40,315	(47,899)
Bank interest received		12,527	4,315
Dividend received from a jointly controlled entity		16,800	14,000
Dividend received from an associated company		1,100	3,200
Net cash from/(used in) investing activities		8,842	(19,984)
<b>Cash flows from financing activities</b>			
Purchase of own shares		(36,962)	–
Repayment of bank loans		(863)	(9,830)
Dividends paid to equity holders		(393,314)	(511,307)
Net cash used in financing activities		(431,139)	(521,137)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(316,346)	73,171
Cash and cash equivalents at 1 January		1,554,027	1,477,419
Exchange differences		3,744	3,437
<b>Cash and cash equivalents at 31 December</b>	28	<b>1,241,425</b>	<b>1,554,027</b>

# Notes to the Financial Statements

## 1 General information

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

The principal activities of the Company and its subsidiaries (together the “Group”) are provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau.

These financial statements have been approved by the board of directors on 16 March 2012.

## 2 Basis of preparation

(a) The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair values.

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

### (b) Standards, interpretations and amendments effective in 2011

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

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

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

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

#### Effective for the year ending 31 December 2012

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

## Notes to the Financial Statements

## 2 Basis of preparation (Continued)

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

#### Effective for the year ending 31 December 2013

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

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

## 3 Summary of significant accounting policies

The significant accounting policies applied 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) Consolidation

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

#### (i) Subsidiaries

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

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

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

## Notes to the Financial Statements

**3 Summary of significant accounting policies (Continued)****(a) Consolidation (Continued)****(i) Subsidiaries (Continued)**

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

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

**(ii) Associated company**

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

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

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

**(iii) Jointly controlled entities**

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

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

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



## 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 income statement.

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

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

##### (iii) Group companies

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

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

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

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

## Notes to the Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (d) Property, plant and equipment

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

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

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

Leasehold land classified as finance lease	Over the period of the lease
Buildings	50 years
Leasehold improvements	Over the period of the lease
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

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

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

#### (e) Investment properties

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

## Notes to the Financial Statements

**3 Summary of significant accounting policies (Continued)****(e) Investment properties (Continued)**

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

**(f) Intangible assets****(i) Goodwill**

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

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

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

**(ii) Research and website development costs**

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

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

**(g) Impairment of investments in subsidiaries, associated company, jointly controlled entities 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, associated company or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associated company or jointly controlled entity 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.

## Notes to the Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (h) Financial assets

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

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

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

##### (ii) Loans and receivables

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

##### (iii) Available-for-sale financial assets

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

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

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

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

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

**Notes to the Financial Statements****3 Summary of significant accounting policies (Continued)****(h) Financial assets (Continued)**

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

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

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

**(i) Trade and other receivables**

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

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

**(j) Cash and cash equivalents**

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

## Notes to the Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (k) Share capital

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

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

#### (l) Trade and other payables

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

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

#### (m) Borrowings

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

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

#### (n) Taxation

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

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

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

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

## Notes to the Financial Statements

**3 Summary of significant accounting policies (Continued)****(o) Employee benefits****(i) Employee leave entitlements**

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

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

**(ii) Retirement scheme obligations**

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

**(iii) Share-based compensation**

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

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

**(p) Provisions**

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

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

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

**(q) Revenue recognition**

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

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

## Notes to the Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (q) Revenue recognition (Continued)

Internet education and related services involving sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods. Services and training income are recognised when the related services are rendered.

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

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

Revenue from immigration consultancy services is recognised on a success basis, i.e. when the relevant application for immigration is approved.

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

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

#### (r) Operating leases

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

#### (s) Dividend distribution

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

#### (t) Contingent liabilities

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

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

### 4 Financial risk management

#### (a) Financial risk factors

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



**Notes to the Financial Statements****4 Financial risk management (Continued)****(a) Financial risk factors (Continued)****(i) Credit risk**

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

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

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

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

**(ii) Foreign exchange risk**

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

At the balance sheet date, the foreign exchange risk of the Group is considered to be insignificant. This is due to the Group's transactions being generally denominated in the functional currencies of the respective group entities.

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

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

At the balance sheet date, if interest rates had increased or decreased by 3% and all other variables were held constant, the Group's profit before taxation would increase or decrease by approximately HK\$556,000 (2010: HK\$210,000) for the year ended 31 December 2011.

**(iv) 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 (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2011, the Group held cash and bank balances of HK\$1,249,009,000 (2010: HK\$1,601,926,000) that are expected to readily generate cash inflows for managing liquidity risk.

## Notes to the Financial Statements

**4 Financial risk management (Continued)****(a) Financial risk factors (Continued)****(iv) Liquidity risk (Continued)**

The following tables show the remaining contractual maturities 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 contain 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 2011		
Trade and other payables	–	1,120,980
Bank loan	13,279	–
	<u>13,279</u>	<u>1,120,980</u>
At 31 December 2010		
Trade and other payables	–	1,256,857
Bank loan	14,364	–
Amount due to an associated company	500	–
	<u>14,864</u>	<u>1,256,857</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 macroeconomic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may adjust the amount of dividend paid to shareholders, repurchase of shares from shareholders or raise funding through bank borrowing as necessary.

## Notes to the Financial Statements

## 4 Financial risk management (Continued)

## (b) Capital risk management (Continued)

The Group monitors capital on the basis of the total debt to equity ratio. This ratio is calculated as total bank borrowing divided by total equity. The total debt to equity ratios at 31 December 2011 and 2010 were as follows:

	2011 HK\$'000	2010 HK\$'000
Bank loan	11,800	12,663
Total equity	1,641,193	1,882,077
Total debt to equity ratio	0.72%	0.67%

## (c) Fair value estimation

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

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

The financial instruments are measured in the balance sheet at fair value by level of the following fair value measurement hierarchy:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

## Notes to the Financial Statements

## 4 Financial risk management (Continued)

## (c) Fair value estimation (Continued)

The following tables present the Group's financial instruments that are measured at fair value:

As at 31 December 2011	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets	–	15,179	–	15,179
Financial assets at fair value through profit or loss	130	–	–	130
Total	130	15,179	–	15,309

As at 31 December 2010	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets	–	13,927	–	13,927
Financial assets at fair value through profit or loss	163	–	–	163
Total	163	13,927	–	14,090

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 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.

## Notes to the Financial Statements

**5 Critical accounting estimates and judgements (Continued)****(i) Revenue recognition**

Management reviews the 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 those transactions whose economic benefits are not probable to flow into the Group would not be recognised in the income statement until relevant transactions are completed or until the uncertainty is removed.

**(ii) Impairment of trade receivables**

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

Management reassesses the provision at each balance sheet date.

**(iii) Fair value of investment properties**

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

**6 Revenues**

	2011 HK\$'000	2010 HK\$'000
Turnover		
Agency fee	3,335,071	3,683,019
Rental from investment properties	2,830	3,193
Web advertising	1,810	1,639
Internet education and related services	20,338	26,682
Immigration consultancy services	36,856	21,349
Other services	818	1,070
	<u>3,397,723</u>	<u>3,736,952</u>

## Notes to the Financial Statements

## 7 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 businesses which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses mainly include property leasing and immigration consultancy services.

	Year ended 31 December 2011			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	2,863,656	510,682	70,584	3,444,922
Inter-segment revenues	(26,607)	(12,660)	(7,932)	(47,199)
Revenue from external customers	2,837,049	498,022	62,652	3,397,723
Segment results	161,363	99,373	39,632	300,368
Impairment of receivables	72,322	28,111	–	100,433
Depreciation and amortisation costs	41,025	4,932	970	46,927
Share of results of				
– jointly controlled entities	–	–	16,595	16,595
– an associated company	–	–	(153)	(153)
Fair value gain on investment properties	–	–	5,810	5,810
Additions to non-current assets	55,764	5,845	402	62,011

## Notes to the Financial Statements

## 7 Segment information (Continued)

	Year ended 31 December 2010			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Total revenues	3,159,618	584,200	63,466	3,807,284
Inter-segment revenues	(40,204)	(20,595)	(9,533)	(70,332)
Revenue from external customers	<u>3,119,414</u>	<u>563,605</u>	<u>53,933</u>	<u>3,736,952</u>
Segment results	<u>593,607</u>	<u>137,491</u>	<u>61,651</u>	<u>792,749</u>
Impairment of receivables	55,979	12,356	186	68,521
Depreciation and amortisation costs	30,431	2,242	936	33,609
Share of results of				
– jointly controlled entities	–	–	24,227	24,227
– an associated company	–	–	308	308
Fair value gain on investment properties	–	–	18,529	18,529
Fair value gain on assets held for sale	–	–	330	330
Additions to non-current assets	<u>48,324</u>	<u>2,290</u>	<u>98</u>	<u>50,712</u>

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, unrealised loss on financial assets at fair value through profit or loss, realised gain on available-for-sale financial assets, 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 income statement.

## Notes to the Financial Statements

## 7 Segment information (Continued)

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

	2011 HK\$'000	2010 HK\$'000
Segment results for reportable segments	300,368	792,749
Corporate expenses	(101,118)	(110,305)
Unrealised loss on financial assets at fair value through profit or loss	(33)	(15)
Realised gain on available-for-sale financial assets	542	899
Finance income	12,527	4,315
Finance costs	(229)	(476)
Profit before taxation	<u>212,057</u>	<u>687,167</u>

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss, available-for-sale financial assets, all of which are managed on a central basis. The following is total segment assets and liabilities by reporting segments.

	As at 31 December 2011			
	Residential properties HK\$'000	Property agency Commercial and industrial properties and shops HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	<u>1,221,611</u>	<u>566,007</u>	<u>184,793</u>	<u>1,972,411</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	58,090	58,090
Interests in an associated company	–	–	17	17
Segment liabilities	<u>965,468</u>	<u>126,589</u>	<u>11,250</u>	<u>1,103,307</u>



## Notes to the Financial Statements

## 7 Segment information (Continued)

	As at 31 December 2010			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	<u>1,415,511</u>	<u>537,000</u>	<u>186,239</u>	<u>2,138,750</u>
Segment assets include:				
Interests in jointly controlled entities	–	–	58,295	58,295
Interests in an associated company	–	–	1,270	1,270
Segment liabilities	<u>1,044,160</u>	<u>177,867</u>	<u>20,094</u>	<u>1,242,121</u>

Reportable segment assets are reconciled to total assets as follows:

	2011 HK\$'000	2010 HK\$'000
Segment assets	1,972,411	2,138,750
Corporate assets	775,160	1,020,079
Deferred taxation assets	13,793	19,141
Financial assets at fair value through profit or loss	130	163
Available-for-sale financial assets	15,179	13,927
Total assets per consolidated balance sheet	<u>2,776,673</u>	<u>3,192,060</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2011 HK\$'000	2010 HK\$'000
Segment liabilities	1,103,307	1,242,121
Corporate liabilities	29,473	66,061
Deferred taxation liabilities	2,700	1,801
Total liabilities per consolidated balance sheet	<u>1,135,480</u>	<u>1,309,983</u>

## Notes to the Financial Statements

## 8 Other income

	2011 HK\$'000	2010 HK\$'000
Fair value gain on investment properties (Note 18)	5,810	18,529
Fair value gain on assets held for sale	–	330
Gain on disposal of subsidiaries	703	2,719
Gain on disposal of assets held for sale	–	12,389
Realised gain on available-for-sale financial assets	542	899
	<u>7,055</u>	<u>34,866</u>

## 9 Staff costs

	2011 HK\$'000	2010 HK\$'000
Salaries and allowances	701,617	683,401
Commissions	1,146,479	1,378,410
Pension costs for defined contribution plans	54,063	60,083
Share-based benefits (Note 29 (c) and (d))	30,821	–
	<u>1,932,980</u>	<u>2,121,894</u>

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

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

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

## Notes to the Financial Statements

## 10 Directors' emoluments and five highest paid individuals

## (a) Directors' emoluments

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

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Discretionary bonuses HK\$'000	Share-based benefits HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<b>Executive Directors</b>							
Mr. WONG Kin Yip, Freddie	–	16,802	6,351	–	12,199	12	35,364
Ms. TANG Mei Lai, Metty	–	4,305	–	708	5,767	24	10,804
Ms. WONG Ching Yi, Angela	–	1,511	2,382	–	5,767	12	9,672
Mr. WONG Kam Hong	–	13,062	3,970	–	5,767	12	22,811
Mr. CHAN Kwan Hing	–	2,468	8,293	–	–	12	10,773
Ms. IP Kit Yee, Kitty	–	2,124	397	–	–	12	2,533
Mr. CHEUNG Kam Shing (Appointed on 28 March 2011)	–	1,022	765	–	–	10	1,797
Mr. KWOK Ying Lung (Resigned on 15 March 2011)	–	255	–	–	–	3	258
	–	41,549	22,158	708	29,500	97	94,012
<b>Independent Non-executive Directors</b>							
Mr. KOO Fook Sun, Louis	200	–	–	–	253	–	453
Mr. SUN Tak Chiu	200	–	–	–	253	–	453
Mr. WANG Ching Miao, Wilson	200	–	–	–	253	–	453
	600	–	–	–	759	–	1,359
	600	41,549	22,158	708	30,259	97	95,371

## Notes to the Financial Statements

## 10 Directors' emoluments and five highest paid individuals (Continued)

## (a) Directors' emoluments (Continued)

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

Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance incentives HK\$'000	Discretionary bonuses HK\$'000	Retirement benefit costs HK\$'000	Total HK\$'000
<b>Executive Directors</b>						
Mr. WONG Kin Yip, Freddie	–	16,773	45,436	–	12	62,221
Ms. TANG Mei Lai, Metty	–	4,123	1,560	1,707	24	7,414
Ms. WONG Ching Yi, Angela	–	1,162	1,136	63	12	2,373
Mr. WONG Kam Hong	–	12,089	–	4,711	12	16,812
Mr. CHAN Kwan Hing	–	2,333	12,667	–	12	15,012
Ms. IP Kit Yee, Kitty	–	2,030	1,669	111	12	3,822
Mr. KWOK Ying Lung	–	1,224	452	–	12	1,688
	–	39,734	62,920	6,592	96	109,342
<b>Independent</b>						
<b>Non-executive Directors</b>						
Mr. KOO Fook Sun, Louis	200	–	–	–	–	200
Mr. SUN Tak Chiu	200	–	–	–	–	200
Mr. WANG Ching Miao, Wilson	200	–	–	–	–	200
	600	–	–	–	–	600
	600	39,734	62,920	6,592	96	109,942

No director waived or agreed to waive any emoluments during the year (2010: Nil). No incentive payment for joining the Group was paid or payable to any directors during the year (2010: Nil). No compensation for loss of office was paid to directors during the year ended 31 December 2011 (2010: Nil).

## Notes to the Financial Statements

## 10 Directors' emoluments and five highest paid individuals (Continued)

## (b) Five highest paid individuals

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

	2011 HK\$'000	2010 HK\$'000
Basic salaries and allowances	660	–
Discretionary bonuses	2,055	–
Retirement benefit costs	12	–
	<u>2,727</u>	<u>–</u>

The emoluments fell within the following bands:

	Number of individual	
	2011	2010
HK\$2,500,001 – HK\$3,000,000	<u>1</u>	<u>–</u>

## 11 Operating profit

Operating profit is arrived at after charging:

	2011 HK\$'000	2010 HK\$'000
Loss on disposal of property, plant and equipment	3,929	2,505
Direct operating expenses arising from investment properties that:		
– generated rental income	264	407
– did not generate rental income	140	62
Unrealised loss on financial assets at fair value through profit or loss	33	15
Auditor's remuneration	<u>3,665</u>	<u>3,568</u>

## Notes to the Financial Statements

## 12 Finance income and costs

	2011 HK\$'000	2010 HK\$'000
Finance income		
Bank interest income	12,527	4,315
Finance costs		
Interest on bank loans and overdrafts		
Wholly repayable within five years	(1)	(14)
Not wholly repayable within five years (Note)	(228)	(462)
	(229)	(476)
Finance income, net	12,298	3,839

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

## 13 Taxation

	2011 HK\$'000	2010 HK\$'000
Current		
Hong Kong profits tax	46,895	126,418
Overseas	133	202
Deferred (Note 33)	6,247	(7,402)
	53,275	119,218

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## Notes to the Financial Statements

## 13 Taxation (Continued)

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

	2011 HK\$'000	2010 HK\$'000
Profit before taxation	212,057	687,167
Less: share of results of jointly controlled entities	(16,595)	(24,227)
Less: share of results of an associated company	153	(308)
	<u>195,615</u>	<u>662,632</u>
Calculated at a taxation rate of 16.5% (2010: 16.5%)	32,276	109,334
Effect of different taxation rates in other countries	(9,113)	(5,210)
Income not subject to taxation	(2,400)	(3,625)
Expenses not deductible for taxation purposes	5,911	810
Utilisation of previously unrecognised tax losses	(657)	(1,239)
Tax losses not recognised	26,467	14,527
Others	791	4,621
Taxation charge	<u>53,275</u>	<u>119,218</u>

## 14 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$399,310,000 (2010: HK\$403,013,000).

## 15 Dividends

	2011 HK\$'000	2010 HK\$'000
Interim paid of HK\$0.2233 (2010: HK\$0.2680) per share	160,981	194,094
Proposed final of nil (2010: HK\$0.2028) per share	–	146,874
Proposed special dividend of HK\$0.0834 (2010: Nil) per share	59,584	–
“創業38周年” special cash bonus paid of nil (2010: HK\$0.118) per share	–	85,459
	<u>220,565</u>	<u>426,427</u>

At a board meeting held on 16 March 2012, the directors proposed a special dividend of HK\$0.0834 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

## Notes to the Financial Statements

## 16 Earnings per share

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

	2011 HK\$'000	2010 HK\$'000
Profit attributable to equity holders	<u>133,557</u>	<u>532,794</u>
Number of shares for calculation of basic earnings per share (thousands)	722,321	724,231
Effect on conversion of share options (thousands)	<u>–</u>	<u>–</u>
Number of shares for calculation of diluted earnings per share (thousands)	<u>722,321</u>	<u>724,231</u>
Basic earnings per share (HK cents)	18.49	73.57
Diluted earnings per share (HK cents)	<u>18.49</u>	<u>73.57</u>

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

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. Adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average annual market share price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Diluted earnings per share for the year ended 31 December 2011 and 2010 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

## 17 Property, plant and equipment

## Group

	Land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011						
Cost	190,388	178,525	54,725	151,396	4,007	579,041
Accumulated depreciation and amortisation	(91,901)	(145,133)	(39,139)	(137,522)	(2,930)	(416,625)
Net book amount	98,487	33,392	15,586	13,874	1,077	162,416
Year ended 31 December 2011						
Opening net book amount	98,487	33,392	15,586	13,874	1,077	162,416
Additions	-	38,108	6,640	17,263	-	62,011
Transfer to investment property (Note 18)	(365)	-	-	-	-	(365)
Disposals	-	(1,856)	(1,421)	(654)	-	(3,931)
Disposal of subsidiaries	-	-	-	(866)	-	(866)
Depreciation and amortisation costs	(1,917)	(32,181)	(5,453)	(8,056)	(522)	(48,129)
Exchange differences	-	464	472	5	1	942
Closing net book amount	96,205	37,927	15,824	21,566	556	172,078
At 31 December 2011						
Cost	189,998	209,141	56,392	165,272	4,012	624,815
Accumulated depreciation and amortisation	(93,793)	(171,214)	(40,568)	(143,706)	(3,456)	(452,737)
Net book amount	96,205	37,927	15,824	21,566	556	172,078
At 1 January 2010						
Cost	199,288	153,464	50,603	144,985	4,225	552,565
Accumulated depreciation and amortisation	(96,123)	(132,287)	(36,333)	(133,992)	(3,335)	(402,070)
Net book amount	103,165	21,177	14,270	10,993	890	150,495
Year ended 31 December 2010						
Opening net book amount	103,165	21,177	14,270	10,993	890	150,495
Additions	-	34,672	6,605	8,841	594	50,712
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 30)	6,652	-	-	-	-	6,652
Transfer to investment properties (Note 18)	(7,550)	-	-	-	-	(7,550)
Transfer to assets held for sale	(575)	-	-	-	-	(575)
Disposals	-	(1,125)	(1,242)	(212)	-	(2,579)
Disposal of a subsidiary	(1,275)	-	-	-	-	(1,275)
Depreciation and amortisation costs	(1,930)	(21,873)	(4,657)	(5,785)	(410)	(34,655)
Exchange differences	-	541	610	37	3	1,191
Closing net book amount	98,487	33,392	15,586	13,874	1,077	162,416
At 31 December 2010						
Cost	190,388	178,525	54,725	151,396	4,007	579,041
Accumulated depreciation and amortisation	(91,901)	(145,133)	(39,139)	(137,522)	(2,930)	(416,625)
Net book amount	98,487	33,392	15,586	13,874	1,077	162,416

## Notes to the Financial Statements

## 17 Property, plant and equipment (Continued)

The carrying amounts of land are analysed as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
In Hong Kong		
Leases of over 50 years	44,180	44,594
Leases of between 10 to 50 years	25,730	26,557
	<u>69,910</u>	<u>71,151</u>

Land and buildings with net book value of HK\$26,339,000 (2010: HK\$27,441,000) are pledged as security for the Group's bank loan (Note 32).

In addition, land and buildings with net book value of HK\$25,301,000 (2010: HK\$70,279,000) are pledged to secure the general banking facilities granted to the Group.

## 18 Investment properties

	Group	
	2011 HK\$'000	2010 HK\$'000
Opening net book amount	76,095	54,870
Transfer from land and buildings (Note 17)	365	7,550
Transfer to assets held for sale	–	(5,600)
Change in fair value to income statement (Note 8)	5,810	18,529
Exchange differences	–	746
Closing net book amount	<u>82,270</u>	<u>76,095</u>

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

## Notes to the Financial Statements

## 18 Investment properties (Continued)

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

	Group	
	2011 HK\$'000	2010 HK\$'000
In Hong Kong		
Leases of over 50 years	19,000	17,050
Leases of between 10 to 50 years	39,590	36,450
	<u>58,590</u>	<u>53,500</u>
Outside Hong Kong		
Leases of over 50 years	12,230	11,881
Leases of between 10 to 50 years	11,450	10,714
	<u>23,680</u>	<u>22,595</u>
	<u>82,270</u>	<u>76,095</u>

Investment properties with net book values of HK\$9,600,000 (2010: HK\$43,000,000) are pledged to secure general banking facilities granted to the Group.

Investment property with net book value of HK\$840,000 (2010: Nil) is pledged as security for the Group's bank loan (Note 32).

## 19 Land use rights

	Group	
	2011 HK\$'000	2010 HK\$'000
Opening net book amount	–	23,426
Transfer to assets held for sale	–	(17,723)
Disposal of a subsidiary	–	(5,552)
Amortisation	–	(151)
Closing net book amount	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

## 20 Intangible assets

	Goodwill HK\$'000	Group Website development cost HK\$'000	Total HK\$'000
At 1 January 2010, 31 December 2010 and 2011			
Cost	30,125	29,659	59,784
Accumulated amortisation and impairment	(30,125)	(29,659)	(59,784)
Net book amount	<u>–</u>	<u>–</u>	<u>–</u>

## 21 Subsidiaries

	2011 HK\$'000	Company 2010 HK\$'000
Unlisted shares, at cost	<u>108,501</u>	<u>108,501</u>

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

## 22 Amounts due from/to subsidiaries

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

## 23 Interests in jointly controlled entities

	2011 HK\$'000	Group 2010 HK\$'000
Share of net assets	<u>58,090</u>	<u>58,295</u>
Unlisted shares, at costs	<u>12,044</u>	<u>12,044</u>

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

## Notes to the Financial Statements

**23 Interests in jointly controlled entities (Continued)**

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

	2011 HK\$'000	2010 HK\$'000
Assets		
Non-current assets	2,346	3,106
Current assets	61,944	69,725
	<u>64,290</u>	<u>72,831</u>
Liabilities		
Long-term liabilities	1,278	1,302
Current liabilities	4,922	13,234
	<u>6,200</u>	<u>14,536</u>
Net assets	<u>58,090</u>	<u>58,295</u>
Income	55,221	76,638
Expenses, including taxation	<u>(38,626)</u>	<u>(52,411)</u>
Net profit for the year	<u>16,595</u>	<u>24,227</u>

There are no significant contingent liabilities and capital commitments relating to the Group's interests in the jointly controlled entities and the jointly controlled entities do not have any significant contingent liabilities and capital commitments as at 31 December 2011 and 2010.

**24 Interests in an associated company**

	2011 HK\$'000	Group 2010 HK\$'000
Share of net assets	<u>17</u>	<u>1,270</u>
Amount due to an associated company	<u>–</u>	<u>500</u>
Unlisted shares, at cost	<u>HK\$20</u>	<u>HK\$20</u>

In 2010, the amount due to an associated company was unsecured, interest free and repayable on demand.

Details of the associated company are set out in note 39(iii) to the financial statements.

## Notes to the Financial Statements

**24 Interests in an associated company (Continued)**

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

	2011 HK\$'000	2010 HK\$'000
Assets		
Current assets	17	1,278
Liabilities		
Current liabilities	–	8
Net assets	17	1,270
Income	–	927
Expenses, including taxation	(153)	(619)
Net (loss)/profit for the year	(153)	308

**25 Available-for-sale financial assets**

	Group	
	2011 HK\$'000	2010 HK\$'000
Unlisted investments, at fair value	15,179	13,927

**26 Trade and other receivables**

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade receivables	1,036,730	1,177,930	–	–
Less: impairment	(128,663)	(119,200)	–	–
Trade receivables, net	908,067	1,058,730	–	–
Other receivables, prepayments and deposits	259,673	200,097	677	455
	1,167,740	1,258,827	677	455

## Notes to the Financial Statements

## 26 Trade and other receivables (Continued)

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Not yet due	793,157	893,616
Less than 30 days	35,934	71,064
31 to 60 days	30,139	18,128
61 to 90 days	25,011	24,147
Over 90 days	23,826	51,775
	<u>908,067</u>	<u>1,058,730</u>

Trade receivables of HK\$114,910,000 (2010: HK\$165,114,000) are past due but not impaired. Such receivables are past due less than six months or received subsequent to the year end.

Trade receivables of HK\$128,663,000 (2010: HK\$119,200,000) are mainly past due more than six months, impaired and fully provided. The ageing analysis of such receivables is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Less than 6 months	163	13,984
6 to 12 months	54,254	37,130
Over 12 months	74,246	68,086
	<u>128,663</u>	<u>119,200</u>

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

	Group	
	2011 HK\$'000	2010 HK\$'000
At 1 January	119,200	183,456
Provision for impairment	108,047	77,692
Write-off of uncollectible debts	(90,970)	(132,777)
Unused amounts reversed	(7,614)	(9,171)
At 31 December	<u>128,663</u>	<u>119,200</u>

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 mainly denominated in Hong Kong Dollars.

## Notes to the Financial Statements

## 27 Financial assets at fair value through profit or loss

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

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

## 28 Cash and bank balances

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash at bank and in hand	800,187	790,924	1,685	777
Bank deposits	448,822	811,002	–	–
Cash and bank balances	1,249,009	1,601,926	1,685	777
Less: Bank deposits with maturity over three months from date of deposits	(7,584)	(47,899)	–	–
Cash and cash equivalents	1,241,425	1,554,027	1,685	777

The bank deposits include guarantee deposits of HK\$1,451,000 (2010: HK\$12,731,000) which are placed by certain wholly-owned subsidiaries for business purposes at designated bank accounts in Hong Kong and the PRC.

## 29 Share capital and premium

	Number of issued shares (HK\$0.10 each)	Nominal value HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2010, 31 December 2010 and 1 January 2011	724,231,425	72,423	247,484	319,907
Cancellation of shares repurchased (Note b)	(4,842,000)	(484)	(23,130)	(23,614)
At 31 December 2011	719,389,425	71,939	224,354	296,293



## Notes to the Financial Statements

## 29 Share capital and premium (Continued)

Notes:

**(a) Share capital**

The total authorised number of ordinary shares is 1 billion shares (2010: 1 billion shares) with a nominal value of HK\$0.10 per share (2010: HK\$0.10 per share). All issued shares are fully paid.

**(b) Repurchase of shares**

During the year, the Company repurchased 8,140,000 (2010: Nil) of its own shares on the Stock Exchange at an aggregate consideration of HK\$36,962,000 (including expense of HK\$141,000). The Company cancelled 4,842,000 shares (2010: Nil) during the year. The remaining 3,298,000 shares were subsequently cancelled after year end.

Subsequent to the year end date, in January 2012, the Company repurchased 1,650,000 of its own shares on the Stock Exchange at an aggregate consideration of HK\$6,717,000 (including expense of HK\$33,000). These shares were subsequently cancelled.

**(c) Share options of the Company**

At the special general meeting of the Company held on 30 April 2002, an ordinary resolution was passed under which a share option scheme (the "Share Option Scheme") was adopted and approved by the shareholders of the Company. Under the terms of the Share Option Scheme, the board of directors may, at their discretion, grant to any eligible persons including directors, employees, customers, consultants, advisors or agents to and of any member of the Group or any invested entity, share options to subscribe for Company's share at the subscription price not less than the highest of (i) the closing price of the shares of the Company as stated in daily quotations sheet of the Stock Exchange 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. Upon acceptance of the offer, the grantee shall pay HK\$1 to the Company as consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 6,349,969 shares, representing approximately 0.89% of the shares in issue as at the date of this annual report.

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

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

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

	2011		2010	
	Average exercise price per option HK\$	Number of options	Average exercise price per option HK\$	Number of options
At beginning of the year	7.858	7,308,974	7.858	7,308,974
Granted	3.936	29,286,640	-	-
Lapsed	7.858	(7,308,974)	-	-
At end of the year	3.936	29,286,640	7.858	7,308,974

Out of the 29,286,640 outstanding options (2010: 7,308,974 options), 4,054,580 options (2010: 7,308,974) were exercisable.

During the year, a total of 29,286,640 share options were granted to certain directors of the Company under the Share Option Scheme. The vesting period of these options ends when they become exercisable. A consideration of HK\$1 from each of the grantees was received.

The options outstanding at 31 December 2011 had an exercise price of HK\$3.81 or HK\$4.29 (2010: HK\$7.858) and a weighted average remaining contractual life of 7.94 years (2010: 0.33 year).

## Notes to the Financial Statements

## 29 Share capital and premium (Continued)

Notes: (Continued)

## (c) Share options of the Company (Continued)

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

	Exercise price per option HK\$	Number of options
Exercisable period		
1 August 2011 to 31 July 2019	4.29	4,054,580
1 January 2012 to 31 December 2019	4.29	3,604,580
1 January 2012 to 31 December 2019	3.81	10,813,740
1 October 2013 to 30 September 2021	3.81	10,813,740
		29,286,640

The fair value of share options granted during 2011 determined using the Trinomial Model is HK\$45,227,000. The valuation was carried out on a fair value basis.

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

*Share options granted in July 2011*

	Share options with exercisable period from 1 August 2011 to 31 July 2019	Share options with exercisable period from 1 January 2012 to 31 December 2019
Exercise price	HK\$4.29	HK\$4.29
Share price at date of grant	HK\$4.29	HK\$4.29
Option life	8 years	8 years
Expected dividend yield	6.940%	6.940%
Risk free rate	1.936%	2.006%
Expected volatility	63.959%	63.050%
Exercise multiple	2.16X	2.16X
Fair value per share option	HK\$1.69	HK\$1.69

*Share options granted in October 2011*

	Share options with exercisable period from 1 January 2012 to 31 December 2019	Share options with exercisable period from 1 October 2013 to 30 September 2021
Exercise price	HK\$3.81	HK\$3.81
Share price at date of grant	HK\$3.81	HK\$3.81
Option life	8 years	8 years
Expected dividend yield	6.940%	6.940%
Risk free rate	1.278%	1.433%
Expected volatility	63.269%	60.280%
Exercise multiple	2.16X	2.16X
Fair value per share option	HK\$1.48	HK\$1.50

No share options had been exercised during the year. The Group recognised a total expense of HK\$30,259,000 for the year ended 31 December 2011 (2010: nil) in relation to share options granted under the Share Option Scheme.

## Notes to the Financial Statements

## 29 Share capital and premium (Continued)

Notes: (Continued)

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

## 30 Reserves

## Group

	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Legal reserve HK\$'000	Employee benefits reserve HK\$'000	Exchange reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2011	3,938	(11,553)	12	12,580	20,704	(3,016)	10,100	1,418,929	1,451,694
Profit for the year	-	-	-	-	-	-	-	133,557	133,557
Currency translation differences	-	-	-	-	1,084	-	-	-	1,084
Share-based benefits	-	-	-	30,657	-	-	-	-	30,657
Change in fair value of available- for-sale financial assets	-	-	-	-	-	(1,256)	-	-	(1,256)
Lapse of share option	-	-	-	(12,580)	-	-	-	12,580	-
Repurchase and cancellation of own shares	484	-	-	-	-	-	-	(484)	-
Repurchase of own shares not yet cancelled	(13,348)	-	-	-	-	-	-	-	(13,348)
2010 final dividend and special cash bonus paid (Note 15)	-	-	-	-	-	-	-	(232,333)	(232,333)
2011 interim dividend paid (Note 15)	-	-	-	-	-	-	-	(160,981)	(160,981)
At 31 December 2011	<u>(8,926)</u>	<u>(11,553)</u>	<u>12</u>	<u>30,657</u>	<u>21,788</u>	<u>(4,272)</u>	<u>10,100</u>	<u>1,171,268</u>	<u>1,209,074</u>
Representing:									
Reserves	(8,926)	(11,553)	12	30,657	21,788	(4,272)	10,100	1,111,684	1,149,490
2011 proposed special dividend (Note 15)	-	-	-	-	-	-	-	59,584	59,584
At 31 December 2011	<u>(8,926)</u>	<u>(11,553)</u>	<u>12</u>	<u>30,657</u>	<u>21,788</u>	<u>(4,272)</u>	<u>10,100</u>	<u>1,171,268</u>	<u>1,209,074</u>
At 1 January 2010	3,938	(11,553)	-	12,580	15,331	(2,139)	3,448	1,397,454	1,419,059
Profit for the year	-	-	-	-	-	-	-	532,794	532,794
Currency translation differences	-	-	-	-	5,373	-	-	-	5,373
Change in fair value of land and buildings upon transfer of properties to investment properties (Note 17)	-	-	-	-	-	-	6,652	-	6,652
Change in fair value of available- for-sale financial assets	-	-	-	-	-	(877)	-	-	(877)
Transfer of legal reserve	-	-	12	-	-	-	-	(12)	-
2009 final dividend paid	-	-	-	-	-	-	-	(317,213)	(317,213)
2010 interim dividend paid (Note 15)	-	-	-	-	-	-	-	(194,094)	(194,094)
At 31 December 2010	<u>3,938</u>	<u>(11,553)</u>	<u>12</u>	<u>12,580</u>	<u>20,704</u>	<u>(3,016)</u>	<u>10,100</u>	<u>1,418,929</u>	<u>1,451,694</u>
Representing:									
Reserves	3,938	(11,553)	12	12,580	20,704	(3,016)	10,100	1,186,596	1,219,361
2010 proposed final dividend and special cash bonus (Note 15)	-	-	-	-	-	-	-	232,333	232,333
At 31 December 2010	<u>3,938</u>	<u>(11,553)</u>	<u>12</u>	<u>12,580</u>	<u>20,704</u>	<u>(3,016)</u>	<u>10,100</u>	<u>1,418,929</u>	<u>1,451,694</u>

## Notes to the Financial Statements

## 30 Reserves (Continued)

## Company

	Capital redemption reserve HK\$'000	Employee benefits reserve HK\$'000	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2011	3,938	12,580	108,001	606,137	730,656
Profit for the year	–	–	–	399,310	399,310
Share-based benefits (Note 29 (c))	–	30,259	–	–	30,259
Lapse of share option	–	(12,580)	–	12,580	–
Repurchase and cancellation of own shares	484	–	–	(484)	–
Repurchase of own shares not yet cancelled	(13,348)	–	–	–	(13,348)
2010 final dividend and special cash bonus paid (Note 15)	–	–	–	(232,333)	(232,333)
2011 interim dividend paid (Note 15)	–	–	–	(160,981)	(160,981)
At 31 December 2011	<u>(8,926)</u>	<u>30,259</u>	<u>108,001</u>	<u>624,229</u>	<u>753,563</u>
Representing:					
Reserves	(8,926)	30,259	108,001	564,645	693,979
2011 proposed special dividend (Note 15)	–	–	–	59,584	59,584
At 31 December 2011	<u>(8,926)</u>	<u>30,259</u>	<u>108,001</u>	<u>624,229</u>	<u>753,563</u>
At 1 January 2010	3,938	12,580	108,001	714,431	838,950
Profit for the year	–	–	–	403,013	403,013
2009 final dividend paid	–	–	–	(317,213)	(317,213)
2010 interim dividend paid (Note 15)	–	–	–	(194,094)	(194,094)
At 31 December 2010	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>606,137</u>	<u>730,656</u>
Representing:					
Reserves	3,938	12,580	108,001	373,804	498,323
2010 proposed final dividend and special cash bonus (Note 15)	–	–	–	232,333	232,333
At 31 December 2010	<u>3,938</u>	<u>12,580</u>	<u>108,001</u>	<u>606,137</u>	<u>730,656</u>

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

## Notes to the Financial Statements

## 31 Trade and other payables

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trade payable	1,593	374	–	–
Commissions payable	557,285	705,631	–	–
Other payables and accruals	562,102	550,852	17,503	55,445
	<u>1,120,980</u>	<u>1,256,857</u>	<u>17,503</u>	<u>55,445</u>

Trade payables and commissions payable include mainly the commissions payable to property consultants and co-operative estate agents, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions payable of HK\$85,033,000 (2010: HK\$128,559,000) which are due for payment within 30 days, and all the remaining trade payables and commissions payable are not yet due.

The Group's trade and other payables are mainly denominated in Hong Kong Dollars.

## 32 Bank loan

As at 31 December 2011, the Group's bank loan is repayable as follows:

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

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 bank loan is wholly repayable over 5 years.

The bank loan is secured by certain land and buildings and investment property held by the Group (Notes 17 and 18).

The effective interest rate of bank loan is 1.98% (2010: 1.95%). The carrying amount and fair value of the bank loan are as follows:

	Carrying amount		Fair value	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Bank loan	<u>11,800</u>	<u>12,663</u>	<u>11,800</u>	<u>12,663</u>

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

## Notes to the Financial Statements

**32 Bank loan (Continued)**

The Group has the following undrawn borrowing facilities:

	2011 HK\$'000	2010 HK\$'000
Floating rates		
Expiring within one year	<u>166,433</u>	<u>188,156</u>

**33 Deferred taxation**

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Deferred taxation assets	(13,793)	(19,141)	–	–
Deferred taxation liabilities	<u>2,700</u>	<u>1,801</u>	<u>–</u>	<u>–</u>
	<u>(11,093)</u>	<u>(17,340)</u>	<u>–</u>	<u>–</u>

The net movements on the deferred taxation are as follows:

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
At 1 January	(17,340)	(9,873)	–	–
Recognised in the income statement (Note 13)	6,247	(7,402)	–	–
Disposal of a subsidiary	<u>–</u>	<u>(65)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>(11,093)</u>	<u>(17,340)</u>	<u>–</u>	<u>–</u>

## Notes to the Financial Statements

**33 Deferred taxation (Continued)**

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

**Deferred taxation assets**

	Group			Total HK\$'000
	Provision HK\$'000	Accelerated accounting depreciation HK\$'000	Tax losses HK\$'000	
At 1 January 2010	(6,979)	(4,358)	(206)	(11,543)
Recognised in the income statement	(8,928)	783	206	(7,939)
At 31 December 2010	(15,907)	(3,575)	–	(19,482)
Recognised in the income statement	5,571	29	–	5,600
At 31 December 2011	(10,336)	(3,546)	–	(13,882)

**Deferred taxation liabilities**

	Group		Total HK\$'000
	Accelerated tax depreciation HK\$'000	Fair value HK\$'000	
At 1 January 2010	1,116	554	1,670
Recognised in the income statement	(482)	1,019	537
Disposal of a subsidiary	40	(105)	(65)
At 31 December 2010	674	1,468	2,142
Recognised in the income statement	304	343	647
At 31 December 2011	978	1,811	2,789

Deferred taxation assets are recognised for tax loss 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\$65,815,000 (2010: HK\$34,280,000) in respect of losses amounting to HK\$286,873,000 (2010: HK\$154,296,000) as at 31 December 2011. These tax losses can be carried forward against future taxable income. Tax losses amounting to HK\$244,270,000 (2010: HK\$145,145,000) will expire from 2012 to 2016 (2010: from 2011 to 2015).



## Notes to the Financial Statements

## 33 Deferred taxation (Continued)

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

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Deferred taxation assets				
Recoverable more than twelve months	(3,439)	(3,158)	–	–
Recoverable within twelve months	(10,354)	(15,983)	–	–
	<u>(13,793)</u>	<u>(19,141)</u>	<u>–</u>	<u>–</u>
Deferred taxation liabilities				
Payable or settle after more than twelve months	2,441	216	–	–
Payable or settle within twelve months	259	1,585	–	–
	<u>2,700</u>	<u>1,801</u>	<u>–</u>	<u>–</u>

## 34 Notes to consolidated statement of cash flows

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

	2011 HK\$'000	2010 HK\$'000
Operating profit	183,317	658,793
Impairment of receivables	100,433	68,521
Depreciation and amortisation costs	48,129	34,806
Fair value gain on investment properties	(5,810)	(18,529)
Fair value gain on assets held for sale	–	(330)
Gain on disposal of subsidiaries	(703)	(2,719)
Gain on disposal of assets held for sale	–	(12,389)
Realised gain on available-for-sale financial assets	(542)	(899)
Loss on disposal of property, plant and equipment	3,929	2,505
Unrealised loss on financial assets at fair value through profit or loss	33	15
Share-based benefits	30,821	–
Operating profit before working capital changes	<u>359,607</u>	<u>729,774</u>
Change in balance with an associated company	(500)	(2,700)
Increase in trade and other receivables	(9,986)	(213,089)
(Decrease)/increase in trade and other payables	(139,384)	248,608
Net cash generated from operations	<u>209,737</u>	<u>762,593</u>

## Notes to the Financial Statements

## 34 Notes to consolidated statement of cash flows (Continued)

## (b) Disposal of subsidiaries

	2011 HK\$'000	2010 HK\$'000
Net assets disposed:		
Property, plant and equipment	866	1,275
Land use rights	–	5,552
Trade and other receivables	3,165	9
Trade and other payables	(2,659)	(11)
Deferred tax liabilities	–	(65)
Cash and bank balances	865	1
	<u>2,237</u>	<u>6,761</u>
Gain on disposal of subsidiaries	703	2,719
Total consideration	<u>2,940</u>	<u>9,480</u>
Net cash inflow from disposal of subsidiaries:		
Cash consideration	2,940	9,480
Cash and bank balances disposed	(865)	(1)
	<u>2,075</u>	<u>9,479</u>

## 35 Contingent liabilities

As at 31 December 2011, the Company executed corporate guarantee as part of the securities for general banking facilities of HK\$160,200,000 granted to certain wholly-owned subsidiaries (2010: HK\$160,200,000). At 31 December 2011, HK\$9,267,000 of the banking facilities were utilised by the subsidiaries (2010: HK\$7,544,000).

## 36 Future lease rental receivable

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Within one year	2,737	1,510
Between one year and five years	1,440	424
	<u>4,177</u>	<u>1,934</u>

## Notes to the Financial Statements

**37 Commitments****(a) Capital commitments**

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

**(b) Operating lease commitments**

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Within one year	358,680	309,683
After one year but within five years	251,732	234,532
More than five years	395	–
	<u>610,807</u>	<u>544,215</u>

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

## Notes to the Financial Statements

## 38 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:

	Note	2011 HK\$'000	2010 HK\$'000
(a) Transactions with related parties			
Agency fee income from			
– Related companies	(i)	4,344	396
– Directors	(ii)	256	2,639
Operating lease rental expenses in respect of office and shop premises			
– Related companies	(iii)	7,340	4,618
– Directors	(iv)	1,294	1,235
Gain on disposal of a subsidiary	(vii)	–	2,719
(b) Key management compensation			
Salaries, allowances and incentives	(v)	93,915	109,246
Retirement benefit costs	(v)	97	96
		<u>94,012</u>	<u>109,342</u>
(c) Balance with related party			
Loan to a related party	(vi)	<u>198</u>	<u>198</u>

## Notes:

- (i) Agency fee income from related companies represents agency fee for property agency service receivable from certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (ii) Agency fee income from directors of the Company represents agency fee for property agency service receivable from directors of the Company on terms mutually agreed by both parties.
- (iii) The Group entered into certain operating lease agreements with certain related companies, in which directors of the Company have beneficial interests, on terms mutually agreed by both parties.
- (iv) The Group entered into certain operating lease agreements with directors of the Company on terms mutually agreed by both parties.
- (v) The amount represents emoluments paid or payable to Executive Directors for the year.
- (vi) The loan advanced to a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.
- (vii) During the year ended 31 December 2010, the Group disposed of its interest in a subsidiary to a related company, in which directors of the Company have beneficial interest, at a cash consideration of HK\$9,480,000. Such disposal resulted in a gain of HK\$2,719,000.

## Notes to the Financial Statements

## 39 Particulars of principal subsidiaries, jointly controlled entities and associated company

## (i) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %
Astra Profits Limited (Note a)	British Virgin Islands	4 shares of US\$1 each	Investment holding in Hong Kong	100
Guangzhou Midland Property Agency Company Limited (Notes b and c)	The PRC	US\$3,830,000	Property agency in the PRC	100
HKP Estate Agency (Macau) Limited (Note b)	Macau	MOP\$25,000	Property agency in Macau	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share of HK\$1	Investment holding in the PRC	100
Hong Kong Property Services (IC&I) Limited	Hong Kong	2 shares of HK\$1 each	Property agency in Hong Kong	51.81
Jolly Grace Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	100
Midland IC&I Limited	Cayman Islands	8,300,000,000 shares of HK\$0.01 each and HK\$540 million convertible notes	Investment holding in Hong Kong	51.81
Midland CyberNet Limited	Hong Kong	39,100,000 shares of HK\$1 each	Investment holding and operation of internet website in Hong Kong	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares of HK\$1 each	Provision of management services in Hong Kong	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares of HK\$1 each	Immigration consultancy services in Hong Kong	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland Realty (Macau) Limited (Note b)	Macau	MOP\$25,000	Property agency in Macau	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares of HK\$1 each	Property agency in Hong Kong	51.81
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares of HK\$1 each and 2,000,000 non-voting deferred shares of HK\$1 each	Investment holding and provision of administration services in Hong Kong	100
Midland Realty Consultancy (Shanghai) Company Limited (Notes b and c)	The PRC	US\$6,650,000	Property agency in the PRC	100
Midland Realty International Limited	Hong Kong	1,000 shares of HK\$100 each	Property agency in Hong Kong	100
Midland Surveyors Limited	Hong Kong	1,000,000 shares of HK\$1 each	Provision of general administration services and valuation business in Hong Kong	100
Real Gain Limited	Hong Kong	10,000 shares of HK\$1 each	Property investment in Hong Kong	100

## Notes to the Financial Statements

## 39 Particulars of principal subsidiaries, jointly controlled entities and associated company (Continued)

## (i) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Interest held %
Teamway Group Limited	British Virgin Islands	1 share of US\$1	Property investment in Hong Kong	51.81
Teston Profits Limited	British Virgin Islands	1 share of US\$1	Investment holding in Hong Kong	100
Worldboss Limited	Hong Kong	2 shares of HK\$1 each	Property investment in Hong Kong	100
Perfect Tower Limited	Hong Kong	2 shares of HK\$1 each	Property investment in the PRC	100
港置地產代理(深圳)有限公司 (Notes b and c)	The PRC	HK\$24,500,000	Property agency in the PRC	100
縱橫擔保(深圳)有限公司 (Notes b and c)	The PRC	US\$5,400,000	Mortgage guarantee business in the PRC	100
美聯物業代理(深圳)有限公司 (Notes b and c)	The PRC	US\$6,600,000	Property agency in the PRC	100

## (ii) Jointly controlled entities

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/voting power/ profit sharing
mReferral Corporation Limited (Note b)	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%
Vision Year Investments Limited (Note b)	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%

## (iii) Associated company

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/voting power/ profit sharing
Top Bright Electronics Limited (Note b)	Hong Kong	Inactive	20%

Notes:

- (a) This subsidiary is directly held by the Company.
- (b) These subsidiaries, jointly controlled entities and associated company are not audited by PricewaterhouseCoopers, Hong Kong.
- (c) Registered as wholly foreign owned enterprise under the PRC law.

## List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Unit 7 on 7th Floor, Fortress Tower, 250 King's Road, North Point, Hong Kong	IL8416	Commercial	Long	100%
Portion B of Shop No. 110 on the Car Park Level 1 of Podium C of Riviera Gardens, 2-12 Yi Hong Street & 7-9 Yi Lok Street, Tsuen Wan, New Territories, Hong Kong	TWTL 303	Commercial	Medium	100%
Shop No. 1 on 1st Floor, the Mall of Commercial Development, Locwood Court, Kingswood Villas, 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	TSWTL 1	Commercial	Medium	100%
Unit A1 on Ground Floor of the Commercial Accommodation, Well On Garden, 9 Yuk Nga Lane, Tseung Kwan O, Sai Kung, New Territories, Hong Kong	TKOTL18	Commercial	Medium	100%
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon Tong, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Shop Nos. 11 and 12 of Unit 3A on Level (Site 1) 26 of the Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%

**List of Investment Properties**

Location	Lot number	Existing use	Lease term	Group's interest
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%
Car park P19 2/F, Ford Glory Plaza, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	NKIL2828	Commercial	Medium	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China	N/A (Note)	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (Note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (Note)	Commercial	Long	100%

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



# Five-year Financial Summary

	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b><u>For the year</u></b>					
Revenues	3,397,723	3,736,952	3,404,856	2,254,620	3,871,364
Profit/(loss) before taxation	212,057	687,167	831,899	(17,362)	813,454
Profit/(loss) attributable to equity holders of the Company	133,557	532,794	691,237	(40,895)	659,129
<b><u>Cashflows</u></b>					
Net cash inflow from operating activities	105,951	614,292	786,556	128,970	691,950
<b><u>At year end</u></b>					
Total assets	2,776,673	3,192,060	2,908,573	2,006,877	3,419,615
Total liabilities	1,135,480	1,309,983	1,094,286	631,545	1,715,002
Non-controlling interests	135,826	110,476	75,321	52,835	53,339
Total equity	1,641,193	1,882,077	1,814,287	1,375,332	1,704,613
Cash and bank balances	1,249,009	1,601,926	1,477,419	941,977	1,046,033
<b><u>Per share data</u></b>					
Earnings/(loss) per share – basic (HK cents)	18.49	73.57	95.44	(5.61)	90.10
Dividend per share (HK cents)					
Interim	22.33	26.80	17.60	6.50	16.00
Final	–	20.28	43.80	1.00	21.00
Special	8.34	11.80	20.00	–	10.00
Total	30.67	58.88	81.40	7.50	47.00

香港德輔道中19號環球大廈25樓2505-2508室

Rooms 2505-2508, 25th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong

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